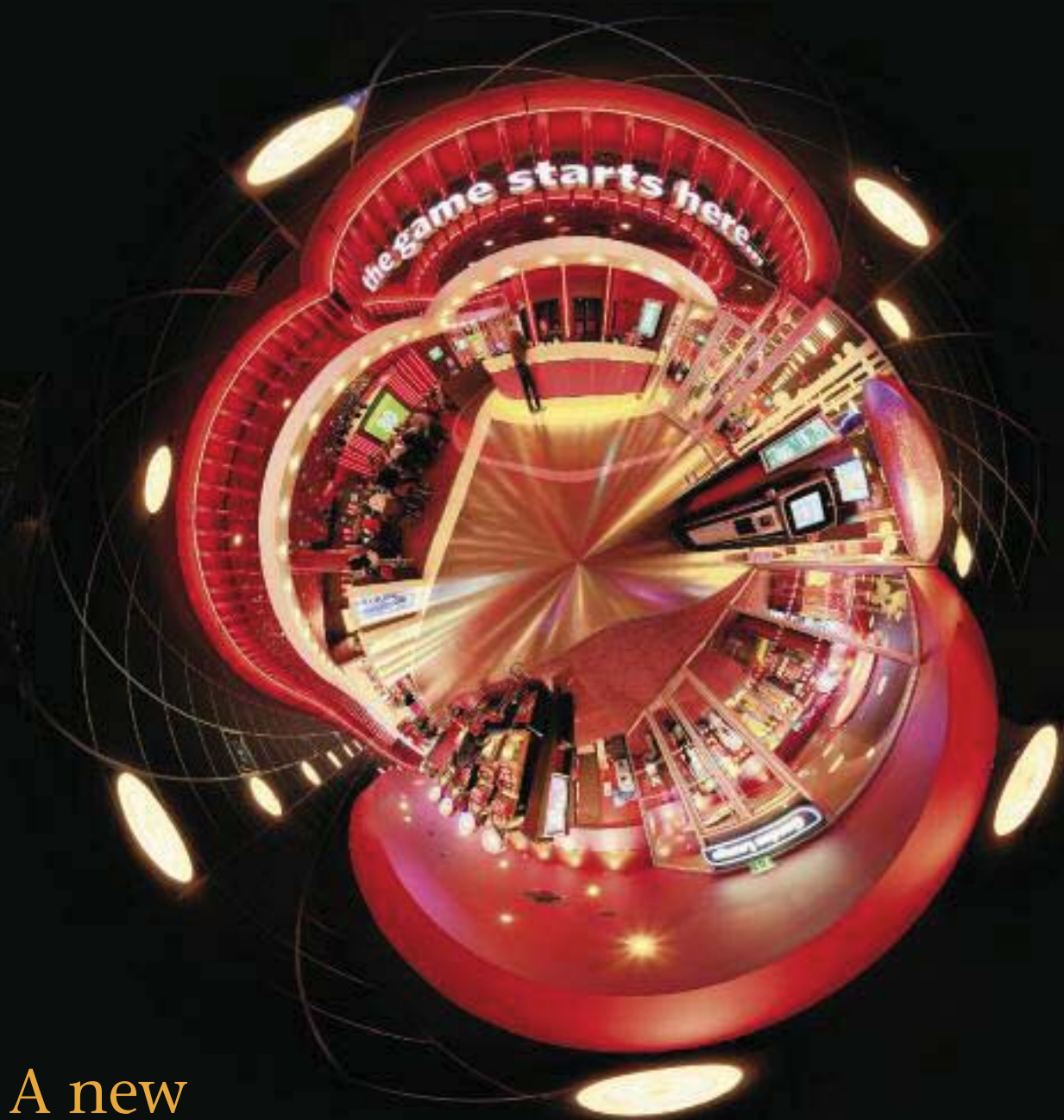


# The Rank Group Plc



## A new perspective on gaming

*Inside:*

- The customer experience: A 360° perspective
- Mecca Full House: So much more
- G Casino: One amazing venue



**Rank Group**  
Since 1937



*Our aim is to create  
fun and enjoyment  
for our customers  
through gaming-based  
leisure experiences.*

*Our approach is  
underpinned by our  
business principles:*

- *fairness*
- *responsibility*
- *and sustainability*

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## DIRECTORS' REPORT

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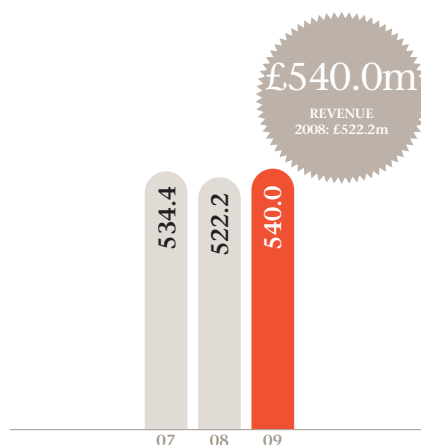
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# How we have performed

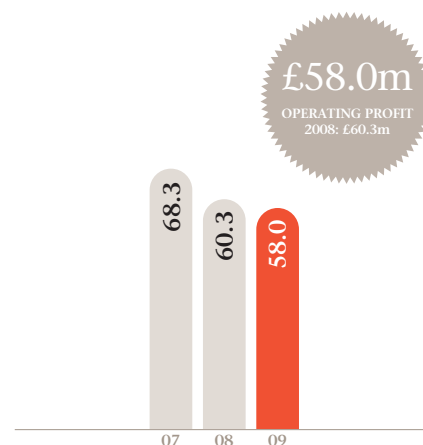
## – Operating highlights –

- Resilient performance in challenging market conditions
- Significant growth in adjusted earnings per share
- Step-up in capital investment to support growth strategy
- Further reduction in Group net debt
- Dividend payments resumed

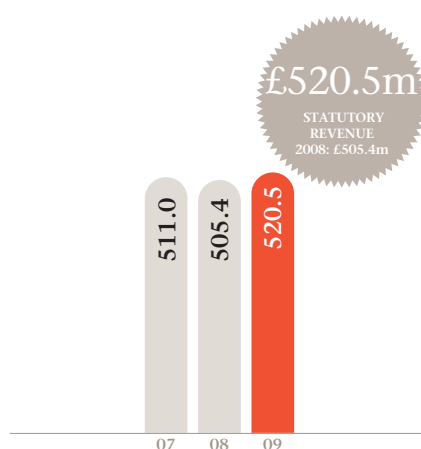
Revenue\* (£m)



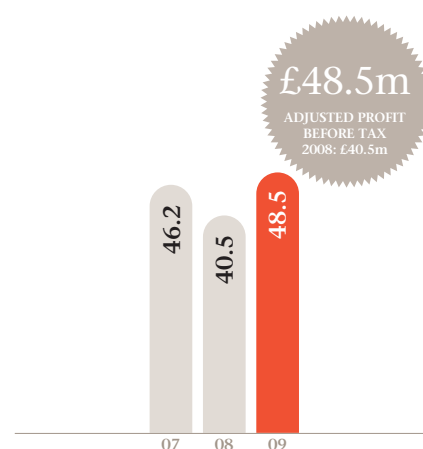
Operating profit\*\* (£m)



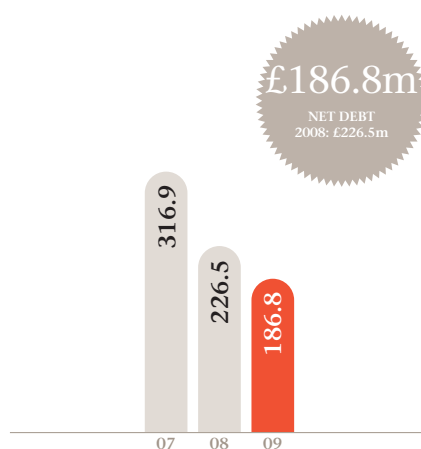
Statutory revenue (£m)



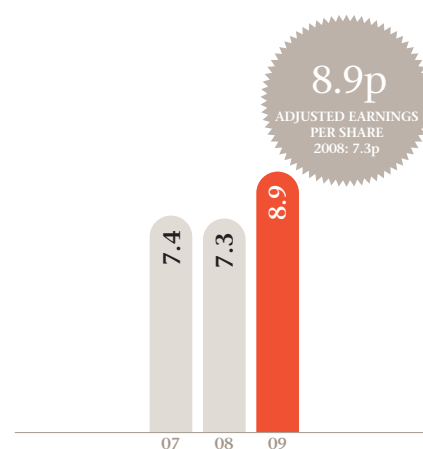
Adjusted profit before tax (£m)



Net debt (£m)



Adjusted earnings per share (pence)



\* Before adjustment for free bets, promotions and customer bonuses

\*\* Before exceptional items

# Our businesses

## – Our operations –

*Rank is a leading European gaming and betting company, headquartered in Great Britain and listed on the London Stock Exchange.*

### Mecca Bingo

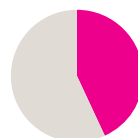


Mecca Bingo is a leading operator of bingo clubs. The business is headquartered in Maidenhead, England and operates clubs under the Mecca Bingo brand in Great Britain.

Revenue\*

**£233.0m**

2008 : £227.6m



Operating profit\*\*

**£32.3m**

2008 : £37.9m



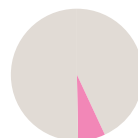
### Top Rank España



Top Rank España operates 11 premium bingo clubs in Spain. The business is headquartered in Barcelona and operates clubs in the provinces of Madrid, Catalonia, Andalucía and Galicia.

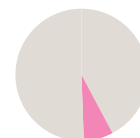
**£36.2m**

2008 : £35.8m



**£5.6m**

2008 : £6.9m



### Grosvenor Casinos



Grosvenor Casinos is a leading operator of casinos. The business is headquartered in Maidenhead, England and operates casinos in Great Britain under the Grosvenor and G Casino brands. It also operates two casinos in Belgium.

**£220.0m**

2008 : £206.2m



**£30.9m**

2008 : £25.9m



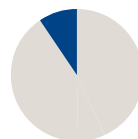
### Rank Interactive



Rank Interactive is a remote gaming and betting business. Its principal brands are meccabingo.com (bingo and games), bluesq.com (sports betting, casino, poker and games) and gcasino.com (casino). Rank Interactive is based in Alderney, Channel Islands and its primary market is Great Britain. It provides betting and gaming websites in English, Danish, French, German, Spanish and Swedish.

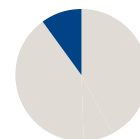
**£50.8m**

2008 : £52.6m



**£7.5m**

2008 : £7.6m



\* Before adjustment for free bets, promotions and customer bonuses  
\*\* Before exceptional items

## – Operating markets –

*The Group operates businesses in Great Britain, Spain and Belgium and provides business services to gaming operators in a number of additional markets.*

### Great Britain

Mecca Bingo: 103 clubs  
Grosvenor Casinos: 35 casinos

#### Rank Interactive:

- bluesq.com
- meccabingo.com
- grosvenorcasinos.com
- gcasino.com
- 888sport.com

Employees: 8,170

### Spain

Top Rank España: 11 clubs

#### Rank Interactive:

- bingouniversal.com
- apuestauniversal.com
- 888sport.com

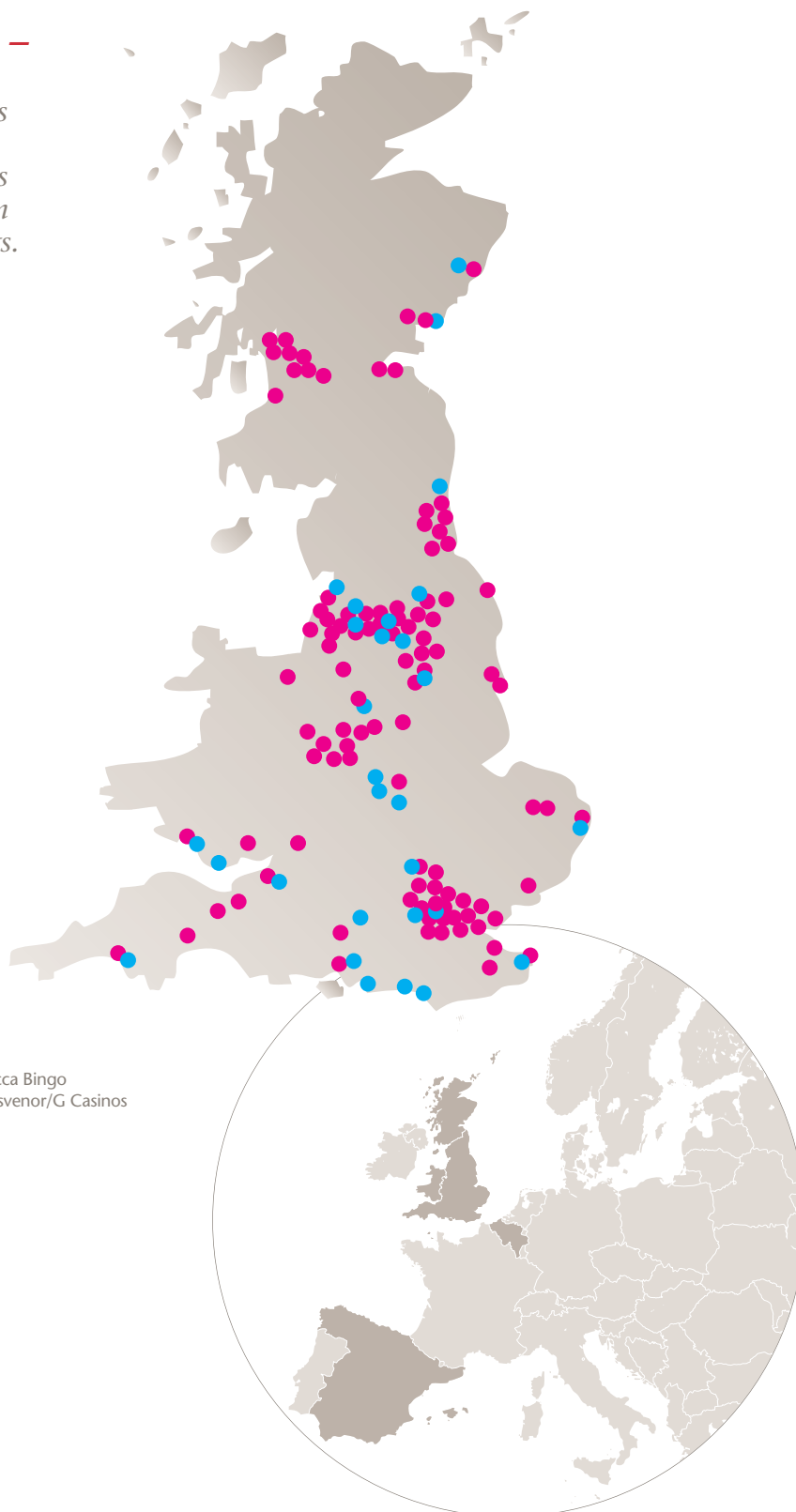
Employees: 607

### Belgium

Grosvenor Casinos: 2 casinos

Employees: 180

- Mecca Bingo
- Grosvenor/G Casinos



#### Note:

888sport.com is a sports betting website owned and operated by 888 Holdings plc. In return for a share of revenue, Rank Interactive supplies a 'white label' online sports betting service to customers of 888.com through 888sport.com.

# A year of progress

## – Overview of 2009 –

*Rank has delivered strong growth in earnings in 2009. As a consequence, the board has recommended a resumption of dividend payments.*



**Peter Johnson**  
Chairman

Over the course of the year, Rank delivered a total return to shareholders of 22.6% as the stock market responded positively to the Group's revenue growth, the effectiveness of its cost control measures and further substantial reductions in net debt and financial leverage.

### Operating successfully

At the heart of Rank's strategy to achieve long-term growth in earnings per share is a focus on reaching out to a wider customer base, extending both the reach and the relevance of our businesses.

In order to achieve this, the board recognised that it needed to bring about

a change in culture, allying broader retail expertise to our strong understanding of the gaming market and its regulatory framework.

Since 2008, Rank has appointed new managing directors in its three largest businesses. Each has an operational background in either leisure retail or online retail.

In June 2009, Mark V Jones, an experienced operator of pubs and restaurants, joined us as managing director of Mecca Bingo to lead the transformation of that business.

Reflecting this cultural shift, Rank has started to build a reputation for innovation in the development, refinement and deployment of new

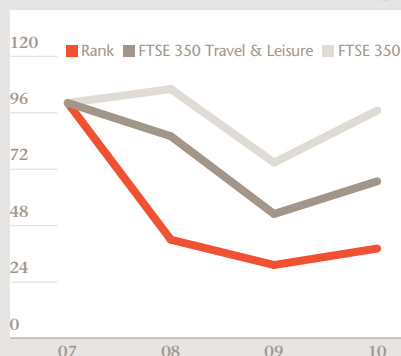
concepts and new customer experiences in leisure, based around gaming.

In 2009, the Group stepped up the pace of expansion for its proven G Casino format. By the end of the year, the G Casino brand had grown from six to ten casinos, with each delivering levels of customer visits and revenue significantly higher than the average across the remainder of the estate.

The year also saw the launch of the Mecca 'Full House' club concepts. The first Mecca 'Full House Destination' opened in Nottingham in May 2009, offering a new style of gaming-based social entertainment, aimed principally at women. The early performance of the club has been encouraging and we have

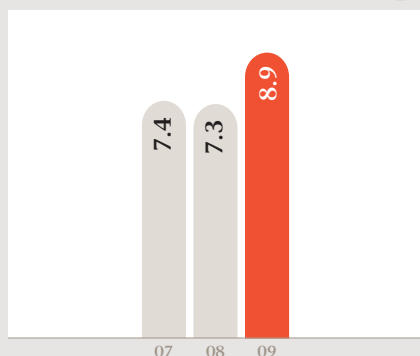
## Shareholder return

### Total shareholder return (three years)



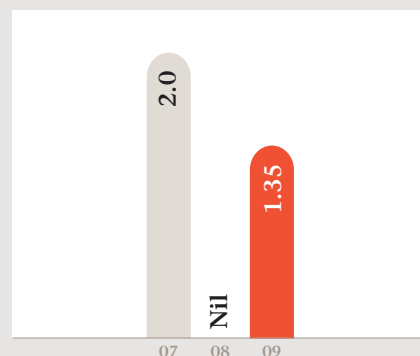
Shares in Rank have under-performed the FTSE 350 in recent years as the effect of negative legislative changes to the taxation and operation of land-based gaming businesses in Britain caused the market to reduce forecast earnings for the Group.

### Adjusted earnings per share (pence)



Between 2007 and 2009, Rank grew adjusted earnings per share by 20.3% as the Group stabilised its operating performance and achieved substantial reductions in net debt.

### Dividend payments (three years)



As part of management's response to the difficult trading conditions, Rank suspended payment of dividends in 2007. Following a review of the Group's capital structure, the board has recommended the resumption of dividend payments from May 2010.

now developed two additional sites under the format.

At the same time, the Group achieved much closer integration between its online and land-based gaming brands, exploiting opportunities for revenue and cost synergies.

### Operating responsibly

The benefits of the Group's actions are reflected not simply in its financial performance but also in forward-looking measures which indicate the success of our businesses in engaging with both customers and employees. During the year, the Group achieved increases in satisfaction and engagement scores from both customers and employees.

The ability of our businesses to delight and entertain their customers in a safe and social environment is fundamental to our strategy.

Within this framework, the Group recognises its responsibility to minimise the incidence of any negative issues, particularly around problem gambling.

Whilst we are continually seeking improvement, we are nevertheless proud of our record with regard to understanding, managing and mitigating

problem gambling. For example, in 2008/9, of the 22,691 incidences of underage gambling in Britain reported by the Gambling Commission, only seven (or 0.03%) took place in our premises.

We recognise too that we have a responsibility to our shareholders, to our employees and to our customers to engage fully with regulators and governments to help shape a supportive and responsible operating environment for our businesses.

We have recently set out a new vision for the British gaming industry, based around the principles of fairness, responsibility and sustainability. This forms the basis for the Group's future engagement with the Gambling Commission, the Government and the wider political establishment, our peer companies and other interested parties.

*"The ability of our businesses to delight and entertain customers in a safe and social environment is fundamental to our strategy"*

### Capital structure and dividend policy

During 2009, the Group carried out a review of its capital structure and dividend policy, against a background of operational improvements, significant growth in earnings per share and a sustained reduction in net debt. As a

result of this review, Rank intends to adjust its capital structure to target a level of around 2.5 times net debt to EBITDA over the medium term.

In addition, the board has determined to recommend a resumption of dividend payments, beginning with a 1.35p per share final dividend for 2009. The dividend will be paid on 5 May 2010 to shareholders on the register at 6 April 2010.

We plan to adopt a progressive dividend policy, taking into consideration the Group's capital investment requirements and the stability of the wider operating and economic environment. Within this context, the board intends to set dividends such that Rank achieves a dividend cover of around 3.0 times over the medium term.

### Outlook

While the board is pleased with the progress achieved during 2009, opportunities and challenges lie ahead. The current year is forecast to be a period of gradual, if fragile, economic recovery in the UK, Rank's key market (see market review, page 7), whilst the outcome of the forthcoming general election is likely to influence the regulatory and tax landscape for gaming and betting in Britain.

Rank's primary focus remains on delivering service excellence to our customers as a means of generating value for our shareholders. The board believes that the quality of Rank's customer propositions, its standards of service and insight and the in-depth strength of its management team give the Group a platform for sustainable growth.

### Total shareholder return overview

Total Shareholder Return ("TSR") measures the combined benefit to shareholders from any equity investment based upon share price appreciation and distributions, such as dividends.

For Rank, it is an important measure of shareholder value, benchmarking investor return from Rank shares with the yield available from other investments.

Between 2007 and 2009, Rank's TSR under-performed the FTSE 350 index of shares. This was due in large part to a 'perfect storm' of negative changes to the legislation, regulation and taxation of Britain's land-based gaming sector.

During 2009, shares in Rank delivered a much improved TSR as a result of management actions and as the UK equities market strengthened.

Peter Johnson  
Chairman  
24 February 2010

For our strategic  
update see:

p.8-9



For more information  
on governance see:

p.42



# A resilient performance

## – Year in review –

*We have progressed by taking a single-minded approach to improving the customer experience in each of our businesses.*



**Ian Burke**  
Chief executive

## Summary of results

During 2009, the Group achieved 21.9% growth in adjusted earnings per share, despite the effects of the global economic recession. This resulted largely from an improved operational performance and lower financing costs which offset higher UK gaming taxes.

Group revenue grew by 3.4% to £540.0m, reflecting the contribution from new casinos and bingo clubs and a 0.8% like-for-like increase. Operating profit of £58.0m was 3.8% lower than in 2008 as increases in UK gaming taxation introduced in HM Government's 2009 Budget outweighed the benefit of a temporary reduction in the standard rate of VAT.

Taxation accounted for more than 50% of operating cost increases in the

year. Excluding the effects of tax changes, foreign exchange movements and changes to our estate of bingo clubs and casinos, the Group maintained operating costs in line with 2008 levels.

Across the Group, our businesses served a total number of 2.4 million customers, representing a 4.4% increase over the prior year. Customer visits (land-based only) of 22.1 million were slightly ahead of 2008 levels.

Our two largest businesses, Grosvenor Casinos and Mecca Bingo, each delivered revenue growth. In Grosvenor Casinos, this performance was driven by a significant increase in both active customers and customer visits; in Mecca Bingo, growth in average spend per visit offset a modest decline in customer visits.

Grosvenor Casinos grew operating profit by 19.3% to £30.9m, even after incurring £1.3m in additional taxation on player-to-player card room games.

Despite the growth in revenue, operating profit of £32.3m from Mecca Bingo was 14.8% lower than in 2008, largely as a result of increased taxation.

Top Rank España grew revenue by 1.1%, benefiting from the strength of the euro against Sterling. In euros, revenue declined by 8.9%, with customer visits and spend per visit both down as Spain's severe economic conditions continued to impact trading. Operating profit declined by 18.8% to £5.6m.

Revenue from Rank Interactive declined by 3.4% to £50.8m with continued growth from meccabingo.com outweighed by lower revenue from sports betting, casino and poker. Operating profit of £7.5m was in line with 2008, principally as a result of reduced marketing expenditure.

Central costs of £18.3m were slightly higher than in 2008 due to an increase in share-based payments.

## Current trading

During the eight weeks to 21 February 2010, the Group grew revenue by 11% and like-for-like revenue by 5%.

	Like-for-like revenue*	Total revenue
Mecca Bingo	(3)%	6%
Top Rank España**	1%	1%
Grosvenor Casinos	14%	20%
Rank Interactive	9%	9%
<b>Group</b>	<b>5%</b>	<b>11%</b>

\* Excludes club openings, closures and relocations; and changes to gaming taxation.

\*\* Top Rank España performance not adjusted for currency movement. In euros, revenue increased by 3% compared with the first eight weeks in 2009.

Grosvenor Casinos continued to be the main driver of growth with like-for-like revenue up 14% on increased customer visits and an above-average win margin in our London casinos.

Like-for-like revenue from Mecca Bingo declined by 3% as a result of lower customer visits. This performance was adversely affected by the unusually cold weather at the start of January.

Top Rank España generated 1% growth in revenue from an increase in customer visits.

Rank Interactive achieved a 9% revenue increase as a result of continued improvements from its bingo and casino websites.

**Ian Burke**  
Chief executive  
24 February 2010

## Revenue\* and operating profit\*\*

	Revenue* (£m)		Operating profit** (£m)	
	2009	2008	2009	2008
Mecca Bingo	233.0	227.6	32.3	37.9
Top Rank España	36.2	35.8	5.6	6.9
Grosvenor Casinos	220.0	206.2	30.9	25.9
Rank Interactive	50.8	52.6	7.5	7.6
Central costs	–	–	(18.3)	(18.0)
<b>Group</b>	<b>540.0</b>	<b>522.2</b>	<b>58.0</b>	<b>60.3</b>

\* All references to revenue in this section are before adjustment for free bets, promotions and customer bonuses.

\*\* All references to operating profit in this section are before exceptional items; operating profit by segment has been reallocated following the implementation of IFRS 8 ('operating segments'). See note 2 to the Group financial statements.

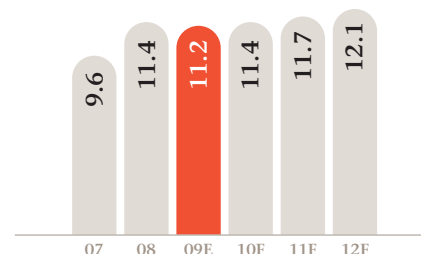
	Revenue (£m)		Operating profit (£m)	
	2009	2008	2009	2008
H1	266.0	263.8	30.2	31.8
H2	274.0	258.4	27.8	28.5
<b>Full year</b>	<b>540.0</b>	<b>522.2</b>	<b>58.0</b>	<b>60.3</b>

# State of play

## – The gambling market –

*The global economic recession impacted gaming and betting in 2009. This section assesses the prospects for gaming in Rank's main geographic markets.*

British gambling market revenues, 2007-2012 (£bn)



Source: Keynote Research

### Great Britain

With annual revenues in excess of £11bn, Britain is one of the largest gaming and betting markets in Europe.

Nevertheless, in 2009, the economic recession caused a 2.5% contraction in industry-wide revenues, according to estimates from Keynote Research.

Within this picture, certain sectors are likely to have fared better than others. National Lottery operator, Camelot, delivered steady revenue growth in the year; the prevalence of internet-based gambling continued to increase; and a number of operators (including Rank) reported improvements in gaming machine revenue. However, some traditional land-based activities, such as over-the-counter sports betting and bingo played in bingo clubs, appeared to decline.

#### Regulatory changes

The major regulatory changes in 2009 focused on revisions to amusement machine regulations. Britain's bingo clubs were perhaps the biggest beneficiaries of the changes with a doubling of the maximum allocation of Category B3 machines and an increase in stakes and prizes on Category C machines (unrestricted in bingo clubs and amusement arcades).

Separately there were a number of changes to gaming taxation in the Budget (see tax fact file, page 38), which negatively impacted bingo clubs and certain casinos.

#### Economic outlook

At the end of 2009, Britain emerged from economic recession. Muted growth in Gross Domestic Product (GDP) during

the final quarter of 2009 broke a trend of six consecutive quarters of decline.

### Top ten gambling companies by UK revenue

	Revenue (£m)	Year ending
Gala Coral*	1,210	Sept 2008
William Hill	910	Dec 2009
Ladbrokes	777	Dec 2009
Camelot	604	Mar 2009
Rank Group	486	Dec 2009
Bet365	289	Mar 2009
Tote	224	Mar 2009
Genting Stanley	187	Dec 2009
Betfair	154	Apr 2009
Betfred*	139	Mar 2008

Source: Company Reports/Rank estimates (where UK data unavailable)

\* Company accounts for 2009 unavailable

The Economic Intelligence Unit forecasts that the economy will grow by 2.4% in 2010 and 2.6% in 2011. Unemployment is forecast to peak at 9.1% during 2011 and with the national debt at record levels and interest rates forecast to rise over time, economists fear that economic recovery is likely to be gradual and fragile.

### Spain

Despite the effects of economic depression, the Spanish gambling market remains one of the largest in Europe.

In 2008 Spanish gaming generated revenues of €5.2bn, according to Datamonitor. This was expected to dip in 2009 as the Spanish economy declined by 4.8%. The national unemployment rate more than doubled between 2007 and 2009 and at 18.2% is at present one of the highest in Europe.

According to the most recently available data from the Comisión Nacional del Juego (CNJ), the overall gambling market grew revenue slightly during 2008, although casinos and bingo clubs experienced declines.

#### Economic outlook

According to the Economic Intelligence Unit, the economy will begin to grow again in 2010, whilst unemployment is forecast to peak at 19.8% during 2010. The route to economic recovery for Spain is forecast to be a long and gradual one.

### Belgium

According to Datamonitor, the Belgian gambling market generated revenues of €958.7m in 2008. Of this, the country's nine casinos generated €116.0m or 12.1% of the total. Whilst overall gambling revenues were expected to dip in 2009, the market is forecast to grow again from 2010.

#### Economic outlook

According to the Economist Intelligence Unit, the Belgian economy will return to growth during 2010 whilst unemployment is forecast to peak at 9.5% in the year before gradually recovering in 2011 and 2012.

# Strategic update

The Group is focused on generating positive returns for shareholders based upon sustainable growth in earnings per share.

We will do this by creating a gaming-based leisure business with leading standards of customer service and entertainment.

In this way, the Group aims to benefit from growth in consumer demand in markets where regulatory conditions often serve to restrict competitor supply growth.

## Strategic aims



**To deepen our understanding of customer preferences to shape product innovation, create service differentiation and build enduring relationships**

## What happened in 2009

- ✓ – Major improvements to electronic gaming product and service
- ✓ – Launch of After Dark gaming
- ✓ – Table service food and drink introduced in six Mecca Bingo clubs
- ✓ – 24-hour opening in 17 casinos
- ✓ – Play Points extended to eight casinos
- ✗ – No progress on customer rewards programmes for Mecca Bingo and Rank Interactive



**To strengthen our position in Great Britain whilst assessing longer-term growth opportunities overseas**

- ✓ – G Casino brand reaches ten casinos
- ✓ – Acquisition of two new casino licences
- ✓ – Successful launch of Mecca 'Full House' concepts
- ✓ – Greater integration between land-based and online gaming
- ✓ – Increases in market share for land-based businesses
- ✗ – No further expansion into overseas markets



**To work positively with governments, regulators and other relevant stakeholders to create an environment which supports both responsible operation and commercial sustainability**

- ✓ – Increase in amusement machine entitlements for bingo clubs in both Britain and Spain
- ✗ – Significant increases in taxation for bingo and card room games
- ✓ – Cross-party commitments to reduce rate of bingo duty

**Underpinned by our business principles of fairness, responsibility and sustainability**

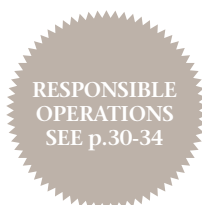
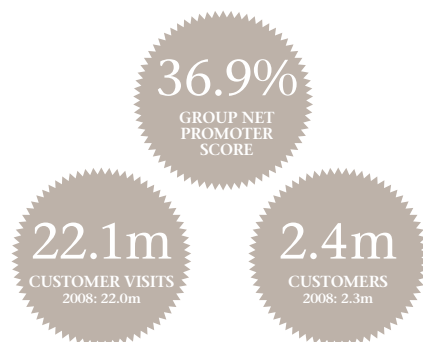


During 2009, Mecca Bingo raised £516,000 for Whizz-Kidz, making a positive difference to the lives of disabled children.



Mecca Bingo was named 'Bingo Operator of the Year' at the 2010 International Gaming Awards.

## Performance and KPIs



## Priorities 2010

- Major upgrade of electronic gaming equipment in casinos
- Expansion of After Dark gaming brand in Mecca Bingo
- Cook-to-order food to be introduced into a further 15 Mecca Bingo clubs
- Extension of Play Points to ten additional casinos
- Roll-out of 24-hour opening

- Continued expansion of G Casino brand
- Refinement and further roll-out of Mecca 'Full House' concepts
- International development led by Rank Interactive
- Stabilisation of Top Rank España

- Political engagement for creation of simpler, fairer and more sustainable regime of taxation for gaming and betting in Britain
- Formal regulation of online gambling in Spain and harmonisation of land-based taxation with online taxation

## Risks

### – Customer engagement

- (i) The effect of macro-economic conditions on consumer confidence may lead to a decline in customer visits and spending.
- (ii) The failure of our businesses to provide engaging and valuable experiences may result in a decline in customer visits and spending.

### – Competitive threats

The attractiveness of Rank's businesses may be undermined by superior or better value propositions from competitors.

### – Loss of licence

Serious breach of gambling regulations may result in the partial or complete loss of Rank's licences to operate.

### – Financing and taxation

- (i) Absence of or withdrawal of financing facilities adequate to meet the Group's requirements.
- (ii) Significant increases in the cost of financing.
- (iii) Reversal of rulings on VAT reclaim.

### – Taxation

Increases in gaming taxation may damage the Group's profitability.

During 2009, HM Treasury announced plans for the reform of taxation for gaming machines. If implemented, Treasury's proposals may result in an increase in tax costs for Rank.

### – Regulation

Given the politicised nature of gambling market governance, Rank's operations may be at risk from adverse changes in regulations, such as restrictions to advertise or to offer certain games.



During 2010, Mecca Bingo and G Casino will attempt to raise at least £200,000 for Marie Curie Cancer Care.



The Rank Group is working with the Carbon Trust's Carbon Management programme to cut carbon, energy and costs.



Rank's contribution to the research and treatment of problem gambling was recognised with the inaugural GREaTest Award.



During 2009, Rank received the Building Public Trust Award for tax reporting.



The British Safety Council's five-star award for health and safety.



GamCare has awarded its accreditation to Mecca Bingo, Grosvenor Casinos and Rank Interactive.

See progress against our strategy and KPIs on: p.10-13



For risks and uncertainties which could impact our strategy see: p.14-15





## Deepen our understanding of customer preferences

### Customer insight

It is our success in understanding and anticipating what our customers want from their leisure experiences that will give our businesses a competitive advantage in the markets where they operate.

As a result of our investment in enhanced management information systems and the creation of insight teams, we have gained a deeper understanding of consumer motivation.

Everything that we do – from the development of concepts like G Casino and Mecca 'Full House' to everyday operational improvements – is built around qualitative and quantitative research into customer preferences and behaviours.

### Product and service improvements

#### Electronic gaming

**Progress** – Across the Group we have made improvements to the quality of both the product and the service levels applied to electronic gaming. In 2009, we introduced amusements service teams into Mecca Bingo, increased the number of Category B3 'jackpot' machines deployed across the Group from 227 to 991 and continued to invest in server-based gaming technology.

**Priorities** – During 2010, we will continue to invest in the quality of our electronic gaming product, with particular focus on upgrading gaming machines and electronic roulette in our British casinos and introducing enhanced electronic bingo and video bingo terminals in Mecca Bingo.

#### Food and drink

**Progress** – We have made substantial improvements to both the quality of our food and drink and the manner of its delivery. In 16 Mecca Bingo clubs we replaced servery-style catering with cook-to-order meals; and in six of these clubs

we introduced waiter table service. In these clubs we have seen improvements in average spend per visit on food and drink.

**Priorities** – We will continue to invest in the quality of the dining and drinking experience in our bingo clubs and casinos. In particular, we will extend cook-to-order and table service to at least another 30 Mecca clubs.

#### Entertainment

**Progress** – We have introduced a number of industry-leading innovations to make our customer experiences more entertaining. In Mecca 'Full House' clubs we fused music with gaming to create After Dark Bingo and Rock and Roll Bingo – both of which have been instrumental in helping these clubs to reach out to a broader range of customers and extend operational hours.

**Priorities** – During 2010, we will expand Mecca's After Dark suite of branded late night games, adding poker, quizzes and other forms of entertainment.

#### Accessibility

**Progress** – We have continued to seek ways to make the customer experience more flexible and to generate more value from our venues. During the year, we offered 24-hour opening in 17 of our British casinos and we gained licensing approval to do likewise in the remainder of the estate. The move has proved popular with customers and has been a driver of incremental revenue and profit.

**Priorities** – During 2010, we will extend 24-hour opening to a number of additional casinos and seek to gain extended opening hours for our bingo clubs in tandem with the roll-out of our After Dark brand and our enhanced amusement machines offer.

### Customer rewards

**Progress** – During 2009, we extended our Play Points customer rewards programme to a total of eight of our Grosvenor Casinos and G Casinos, following tests in 2008. At 31 December 2009, more than 75,000 customers were members of Play Points, and in excess of £0.4m worth of rewards had been redeemed via the programme.

Play Points provides us with extensive empirical data regarding spending and behavioural patterns, enables us to target our marketing expenditure more efficiently and has proved popular with customers. In the clubs where Play Points has been introduced we have experienced enhanced levels of operating performance and higher net promoter scores.

**Priorities** – During 2010, we will introduce Play Points to a further ten casinos at a combined cost of approximately £2.0m. We are continuing to assess opportunities to extend this approach to player rewards across the Group's businesses.

### Key performance indicators

Ultimately, we believe that the success of our insight-led approach to business will be reflected in growth in customers and customer visits, which will in turn give rise to enhanced earnings per share. During 2009, total Group customer visits of 22.1 million was slightly ahead of 2008, following a number of years of decline.

As a forward-looking indicator, we use the net promoter score system to assess our effectiveness in meeting and exceeding customer expectations. Net promoter score tracks the net propensity of our customers to recommend (or otherwise) our businesses to their friends. It is based upon quarterly feedback from more than 12,000 customers and the results form a key component of how our management teams are rewarded.

### Net promoter score

KPI

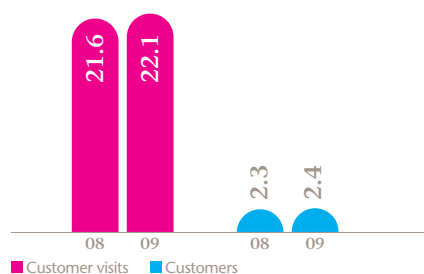
	2008	2009	2010 target
Mecca Bingo	30.1%	38.6%	45.0%
Grosvenor Casinos	–	37.3%	45.0%
Rank Interactive	–	32.8%	45.0%
Top Rank España*	–	–	40.0%
<b>Group</b>	–	36.9%	45.0%

\* Net promoter score for Top Rank España was not measured in 2009; it will be measured from 2010 onwards. The lower target for 2010 reflects this circumstance.

Note: net promoter scores are derived by subtracting negative ('detractor') customer feedback scores from positive ('promoter') scores.

### Customers and customer visits 2008/2009 (millions)\*

KPI



\* Customer visits land based only

Visit Mecca Full House  
p.16-17





## Strengthen our position



### Our core market

Great Britain is Rank's principal market. Our bingo clubs and casinos in England, Scotland and Wales account for more than 80% of Group revenue and operating profit (before central costs). In addition, the majority of Rank Interactive's customers are based in Britain.

Despite the volatility of recent years, our core market has provided a relatively stable environment for gaming and betting by comparison with many other jurisdictions around the world. This is built upon the following characteristics:

- Cultural acceptance – Regulated gaming and betting have a long history within Britain and there is a widespread cultural acceptance of the individual's right to 'have a flutter' as a means of entertainment. According to the 2007 Gambling Prevalence Survey, 68% of British adults participate in at least one form of gaming or betting.
- Cautiously enlightened regulation – British governments have in general adopted a cautiously enlightened approach to the regulation of gambling. While at times overly conservative operating restrictions have held back development, they have also prevented over-supply and the regulatory volatility witnessed in certain other jurisdictions.
- Opportunity to integrate with mainstream leisure – Britain's willingness to modernise regulations in line with changing social attitudes is in itself a catalyst for controlled growth. Over time, the rescinding of some of the more repressive gaming regulations (e.g. permitting casino advertising and customer rewards programmes, withdrawing the 24-hour cooling-off periods for bingo club and casino membership) has gradually allowed the industry to move from the margins towards the mainstream of leisure retail.

### New to the G Casino estate in 2009

**Bolton – conversion from Grosvenor Casino to G Casino – April 2009**

**Capital investment £1.3m**

**Coventry – acquisition and conversion to G Casino – April and September 2009**

**Capital investment £1.7m to acquire and convert**

**Dundee – new G Casino – October 2009**

**Capital investment £5.0m**

**Sheffield – relocation of existing licence to new site – December 2009**

**Capital investment £4.8m**

Note: capital investment figures may include prior year expenditure.

### Selective investment

During 2009, Rank's capital investment programme totalled £34.3m, roughly half of which was deployed in expanding the Group's reach or developing new concepts.

The majority of this investment was focused on our two largest businesses, Grosvenor Casinos and Mecca Bingo. In both businesses we have used customer insight to define innovative modern leisure venues – G Casino and Mecca 'Full House' – delivered within the scope of the licensing regime for gaming in Britain.

We have budgeted to invest between £40.0m and £45.0m of capital in 2010, with a large part directed towards the expansion and enhancement of our British land-based gaming businesses.

#### G Casino

G Casino combines traditional casino gaming with good quality food and drink, entertainment and community games such as card room poker offered in large and high profile venues. Launched in Manchester in 2006, the G Casino brand had grown to ten casinos by the end of 2009. G Casino's success in reaching out to a broader base of British adult consumers is reflected in average levels of weekly customer visits more than 50% higher than the average for a provincial casino in Britain.

During the year, we added four new casinos to the G Casino estate at a cost of £12.8m (see table above).

During the current year, we will open at least two G Casinos, converting the Grosvenor Casinos at Brighton and Newcastle-upon-Tyne.

Our target is to have built a portfolio of 20 G Casinos in Britain by the end of 2012, developing new casinos and re-branding existing casinos to the G Casino format. Despite the cap on

casino licences in Britain, we have ample scope to develop our business beyond this medium-term target, with 12 non-operating (unutilised) casino licences and the opportunity to upgrade or relocate a large number of our existing casinos.

#### Electric Casino

As announced previously, we are developing a number of smaller format casinos for those locations which do not yet support investment in a full G Casino. These formats will typically generate a higher proportion of revenue from electronic gaming and require lower levels of capital and operating expenditure than G Casinos.

In July 2009 we launched the Grosvenor Electric Casino, a fully electronic gaming venue co-located with our traditional Grosvenor Casino in Leeds. Capital investment in the casino was £0.3m.

We plan to develop six of our 12 non-operating casino licences under similar smaller formats.

#### Mecca 'Full House'

During 2009, Rank launched the Mecca 'Full House' concepts with the ambition of offering female-friendly gaming-based entertainment within the framework of the bingo licensing regime.

Mecca 'Full House Destination' clubs combine affordable social gaming (e.g. bingo) with good value food and drink, live entertainment, After Dark events and an extensive electronic gaming offer.

The format is designed to appeal to bingo players and non-bingo players alike, accommodating the key strengths of bingo within a modern leisure venue.

The first 'Full House Destination' club was opened in Beeston, Nottingham in May 2009 after a £5.0m investment.

Visit G Casino:  p.22-23

Trading to date has been encouraging, with average weekly customer visits two-thirds higher than the estate average for Mecca Bingo.

In December 2009, an existing Mecca Bingo club at Catford in London was converted to the Full House Destination format at a cost of £1.0m.

In January 2010, we re-opened our club in Oldbury, West Midlands following a £1.6m conversion to the Full House Destination format; and in April we will complete a similar project at Aberdeen. We will determine the further roll-out of this format based upon the success of the Catford, Oldbury and Aberdeen conversions but estimate that approximately 50% of our Mecca Bingo clubs may in time be suitable.

For the remainder of the estate, we developed Mecca 'Full House Local', targeted at the traditional bingo market and based around product and service improvements supported by modest capital investment.

In December 2009, we converted our Eltham Hill and Hackney Road clubs in London to the Full House Local concept, following a combined investment of £0.5m. Early results in both clubs have been encouraging and we plan to convert our Chester club to the format in the first half of 2010.

#### Rank Interactive

During 2009, the Group's remote gaming business (previously reported under our Blue Square sports betting brand) was renamed Rank Interactive. The move signalled a shift in focus for our strategy in remote gaming and betting, with a greater emphasis on leveraging our brand strengths in bingo and casino games.

In April, we carried out a major redevelopment of meccabingo.com and in September we launched gcasino.com

to support the G Casino brand building strategy. During the year, 46% of Rank Interactive's marketing expenditure supported its bingo and casino websites, a significantly higher proportion than in previous years.

Of particular note was the launch of a TV advertising campaign for meccabingo.com, which was aired during October and November.

As a consequence of these actions, we generated significant revenue growth from meccabingo.com, while online casino revenue returned to growth in the final quarter of the year after seven consecutive quarters of year-on-year decline.

During the current year, we will maintain brand support for meccabingo.com including a second TV advertising campaign. In addition, we will continue to support gcasino.com, migrating customers from grosvenorcasinos.co.uk and continuing our in-club marketing campaign. In the second half of the year, we will launch poker on gcasino.com, leveraging the strength of our land-based card room business.

#### Overseas development

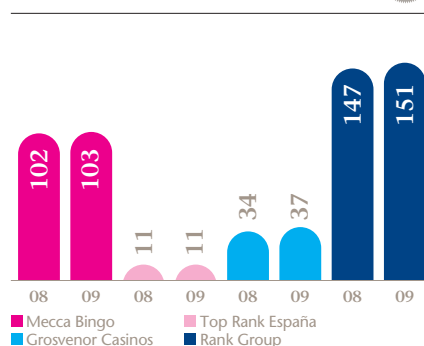
Rank has an established track record operating land-based gaming businesses outside Britain, through our bingo clubs in Spain and our casinos in Belgium. As part of the Group's strategic development, we aim to expand the scale of our overseas operations over the medium term, opening up wider growth opportunities and gradually redistributing the Group's regulatory and economic risk weighting.

In the near term, we see overseas growth potential for Rank Interactive with opportunities to enter other European markets as governments establish regulatory frameworks for remote betting and gaming.

Our priority market is Spain, which is moving gradually towards the establishment of a regulated regime for online gaming. Our position in Spain, where we have operated as a gaming company since 1994, gives us a sound understanding of the market and would provide a firm base upon which to develop an online business.

The Group remains interested in expanding its land-based gaming operations within Europe. However, in the immediate term our focus will be on stabilising Top Rank España where severe economic conditions and the threat of a full smoking ban present challenges.

#### Footprint by number of licensed venues





## Work positively with governments and regulators

### Positive engagement

Gaming is generally subject to a far higher degree of regulation and political influence than other sectors of the leisure industry.

Rank recognises that it has a responsibility to its shareholders, employees and customers to maintain an active and open programme of engagement with regulators, governments and other interested parties in order to promote fairness, responsibility and sustainability.

Despite a heightened programme of engagement in 2009, the year brought mixed results for Rank with positive regulatory developments undermined by generally negative changes to taxation.

### Regulation

#### Britain

During the year, Mecca Bingo benefited from a number of progressive changes to gaming machine entitlements for licensed bingo clubs, following a campaign by Rank and the Bingo Association.

In February, the maximum number of Category B3 machines permitted in bingo clubs was increased from four to eight; and in June the maximum stakes and prizes on Category C machines were raised from 50p to £1 and from £35 to £70 respectively.

Rank estimates that the aggregate benefit of these changes was approximately £3.0m in revenue on an annualised basis.

#### Spain

In October, changes to gaming machine regulations in the autonomous region of Madrid (where Rank operates three bingo clubs) allowed licensed bingo clubs to offer an expanded range of gaming machines. Under the new system, the maximum jackpot available on machines in these clubs increased from €120 to €18,000.

### Taxation

#### Britain

In April 2009, regressive new regimes of taxation were brought into effect for bingo played in licensed clubs and card room games played in casinos.

The rate of bingo duty was increased from 15% to 22%; card room games such as poker and mah jong (previously subject to VAT at the standard rate) were

brought into the casino gaming duty regime at rates of up to 50%.

In aggregate the changes resulted in £5.7m of unbudgeted taxation costs for Rank in 2009.

Following lobbying from Rank and the Bingo Association, HM Government agreed to ameliorate the tax increase on bingo to 20% from the time of the 2010 Budget. The Conservative Party, Liberal Democrats and Scottish National Party have all called for the rate to be reduced further.

The net full-year effect of all the changes is estimated to be approximately.

#### Spain

In January 2010, the bingo clubs trade association, the Confederación Española de Organizaciones de Empresarios del Juego del Bingo (CEJ) achieved a modest reduction in bingo duty in the autonomous region of Catalonia (where Rank operates five clubs). Rank estimates that the change will benefit Top Rank España's annual operating profit by approximately €0.6m.

### Responsibility, fairness and sustainability

We accept that our right to operate gaming and betting businesses comes with certain responsibilities; and we understand that our long-term commercial success rests on how society perceives the value of what we contribute to the communities within which we operate.

We believe that our contribution to society is overwhelmingly positive, through the enjoyment we give to our customers and the wide economic benefits that arise from our operations. We are also proud of our record with regard to upholding the principles of the Gambling Act – to protect young people and the vulnerable, to keep crime out and to ensure fairness.

We have a vision for the gaming industry, involving operators, regulators and governments, and built around three principles:

- Responsibility – for all parties to act with consideration for the welfare of customers, employees and the wider communities;
- Fairness – fairness and transparency should be fundamental to the way that gaming and betting businesses are run, regulated and taxed;

- Sustainability – any industry's ability to contribute to society via job creation and tax generation requires an environment where long-term commercial success and stability are encouraged.

These principles form the basis for Rank's engagement with the governments and regulators in Britain, Spain and Belgium.

### Taxation – fair, simple, sustainable

As part of this approach, Rank has published 'Responsible taxation: Fairness, Simplicity, Sustainability', calling for a comprehensive review of the taxation system for betting and gaming in the UK. Under the Group's proposals, the current patchwork regime of taxation would be replaced by a single rate of duty for all activities governed by the Gambling Act.

We consider that this system offers a number of benefits in terms of the economy, social policy and the safeguarding of employment in the British gaming and betting industry.

**Fairness** – removal of arbitrary distinctions, particularly those which penalise UK-domiciled companies and benefit offshore companies;

**Economic contribution** – generates greater and more sustainable revenues for the Exchequer and stimulates job creation in Britain;

**Lower administration costs** – less onerous to administer, enabling both gaming companies and HM Revenue and Customs to achieve cost savings;

**Support social policy** – achieves alignment with the aims of the Gambling Act by ending the current discrimination against those forms of betting and gaming which offer the highest levels of customer protection.

In Spain, Rank is supporting the CEJ in making a similar submission, calling for online gambling to be made subject to the country's regulatory and tax frameworks and the harmonisation of taxation across all forms of gaming and betting.

# Effective risk management

The Group has established procedures to identify, evaluate and manage significant risks and to monitor performance. This framework is reviewed annually and is designed to safeguard the value of shareholders' investments and the Group's assets, while ensuring that proper accounting records are maintained. The senior management team is responsible for making sure that controls and procedures are enforced and that the board is informed of any risks and control issues that arise.

Area	Specific risks/threats
<b>Consumer engagement</b>	<p>(i) The effect of macro-economic conditions on consumer confidence may lead to a decline in customer visits and spending.</p> <p>(ii) The failure of our businesses to provide engaging and valuable experiences may result in a decline in customer visits and spending.</p>
<b>Competitive threats</b>	The attractiveness of Rank's businesses, to customers, employees and other stakeholders, may be undermined by superior or better value propositions from direct and indirect competitors.
<b>Taxation</b>	<p>(i) Reversal of rulings on VAT reclaims: During 2008, Rank received from HMRC £59.1m relating to overpaid VAT. Rank's claim has been upheld both in tribunal and the High Court. However, HMRC continues to appeal the case. In the event that Rank were to lose a subsequent appeal (the case goes before the Court of Appeal in April 2010), the Group would be required to pay back to HMRC the consideration plus interest.</p> <p>(ii) Increases in gaming taxation: Since 2007, Rank's earnings have been negatively impacted by successive increases in UK gaming taxation, with particular regard to casino games, bingo and player-to-player card room games. During 2009, HM Treasury launched a consultation into reform of taxation for gaming machines. If implemented, Treasury's proposals could result in an increase in tax costs for Rank.</p>
<b>Regulation</b>	<p>(i) Negative regulatory reform: Given the politicised nature of gambling market governance, Rank's operations may be at risk from adverse changes in regulations, such as restrictions on advertising or on offering certain games.</p> <p>(ii) Loss of licence: Serious breach of gambling regulations may result in the partial or complete loss of Rank's licences to operate.</p>
<b>Financing</b>	<p>(i) Absence of or withdrawal of financing facilities adequate to meet the Group's requirements.</p> <p>(ii) Significant increases in the cost of financing.</p>

For more information on our risk management processes, see:

p.46



### *Potential impact on KPIs*

Consumer weakness or consumer indifference have a negative effect on most of the Group KPIs, including net promoter score, active customers, customer visits, spend per visit, revenue, operating profit and earnings per share. These conditions would also impair the attractiveness of our business expansion plans.

### *Mitigation*

The Group invests in a broad programme of customer insight research to identify ways to improve the attractiveness of our customer propositions and to forecast the effects of macro-economic conditions. Mitigation may take the form of actions to support revenues as well as actions to control costs in challenging conditions.

It is likely that increased competition would negatively affect all of Rank's KPIs.

Although the highly regulated nature of gaming does provide certain barriers to direct competitive intrusion, it does not protect against the impact of indirect competition (e.g. television, internet). The Group invests in a broad programme of customer insight research to develop ways to improve the attractiveness of our customer propositions and to identify new competitive threats.

(i) Requirement to repay VAT reclaims would have a negative impact on Group basic and adjusted earnings per share. Whilst the Group forecasts that it would remain comfortably within banking covenants, it would increase financial gearing and may potentially limit Rank's ability to invest in its businesses.

(i) Rank continues to press its claims for overpaid VAT, supported by legal counsel and the tax advisory team at Deloitte.

(ii) Further increases in gaming taxation would have a negative impact on Group operating profit and earnings per share. Investment in the Group's businesses may be adversely affected, which would thus restrict growth. In addition, if Rank is forced to pass on the effect of tax rises to customers, Group net promoter score may suffer too.

(ii) Rank has set out an agenda for fiscal reform which would see Britain's complicated system of gambling taxes replaced by a single rate of duty (see page 13). The Group seeks to engage with HM Treasury, shadow Treasury teams, MPs and the gaming and betting industry to discuss how a fairer, simpler and more sustainable regime might be implemented.

(i) The introduction of regressive gambling regulations may negatively impact the customer's experience and thus affect net promoter scores. It is likely that this in turn would affect customer visits, spend per visit, revenue, operating profit and earnings per share. They may also impair the attractiveness of future investment in business expansion.

(i) Rank is setting forward an agenda for the regulation of Britain's betting and gaming industry, based around responsibility, fairness and sustainability. To support this, Rank maintains an active programme of engagement with DCMS, shadow DCMS teams, MPs, trade bodies and other interested parties.

(ii) Loss of a licence to operate would affect each of Rank's financial and non-financial KPIs.

(ii) Rank aims to maintain the highest standards of operation. The Group has a strong track record of regulatory compliance and conducts an extensive programme of engagement with the Gambling Commission and other interested parties, such as GamCare.

(i) Inadequate funding would restrict the Group's ability to support the growth strategies of its businesses and thus affect customer numbers, customer visits, revenue, operating profit and earnings per share.

Rank's banking facilities are agreed until April 2012. The Group maintains a programme of active engagement with its banking syndicate. In addition, the success of the Group's efforts to reduce net debt and financial leverage and its tight capital control mitigates risk on refinancing.

(ii) At present, nearly all of the Group's debt is floating rate. Significant increases in financing costs would affect earnings per share.

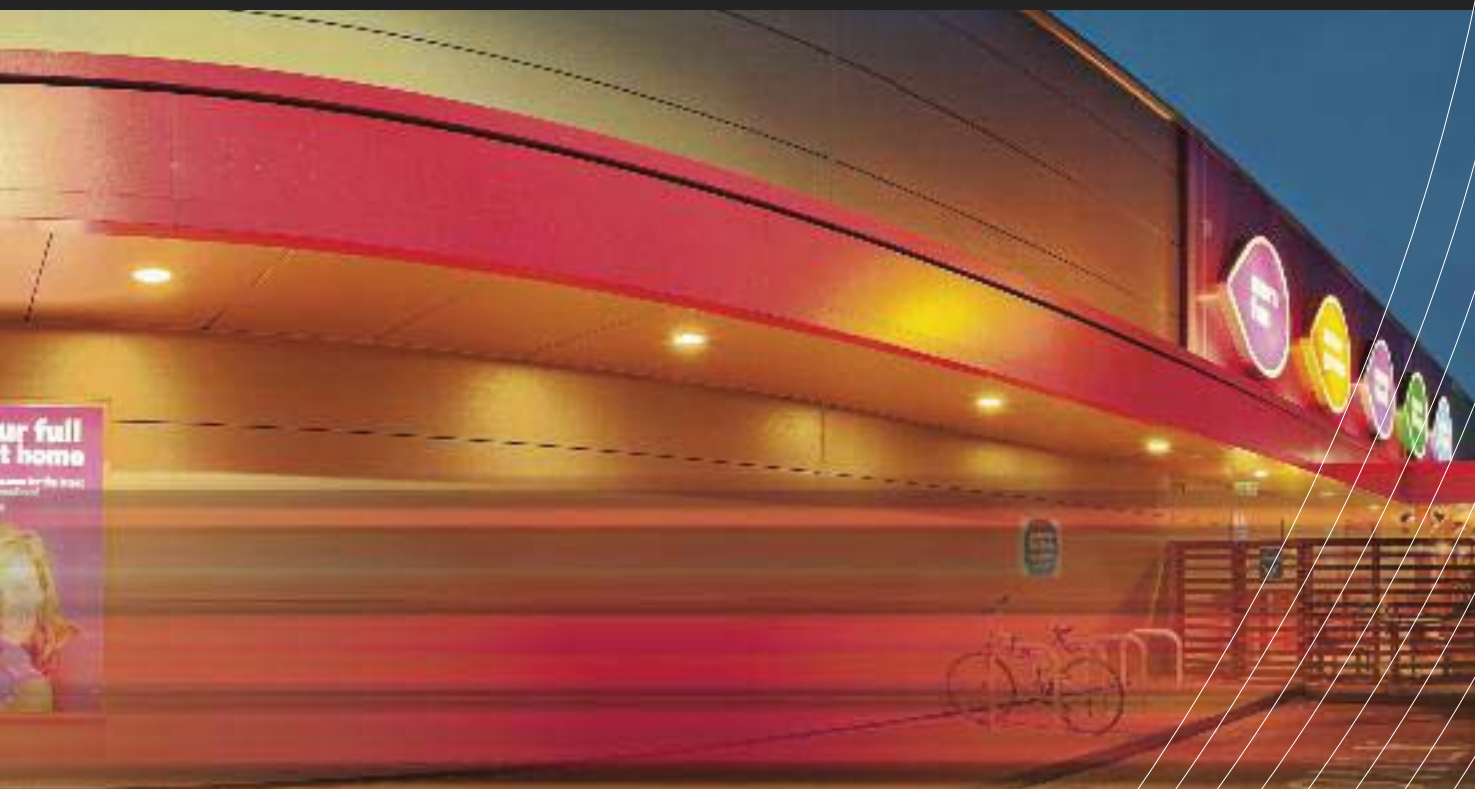
## Mecca: So much more

*In May 2009, we launched a new style of leisure venue at Beeston in Nottingham – Mecca 'Full House Destination'. The club provides entertainment based around social gaming, aimed principally at women and is operated under the bingo clubs licensing regime.*



Step inside for so much more...





## *More exciting*

Our customers told us that the experience should start on the outside. Our Full House Destination clubs are bright, vibrant and very, very pink. It's a foretaste of the fun that awaits customers inside.



## *More welcoming*

Our customers told us that the first visit to a bingo club can be intimidating. The Mecca experience now starts with a warm welcome. Customers are greeted by name at the door and given the chance to settle in with a drink at our eye-catching bar, situated just inside the club entrance.



## *More friendly*

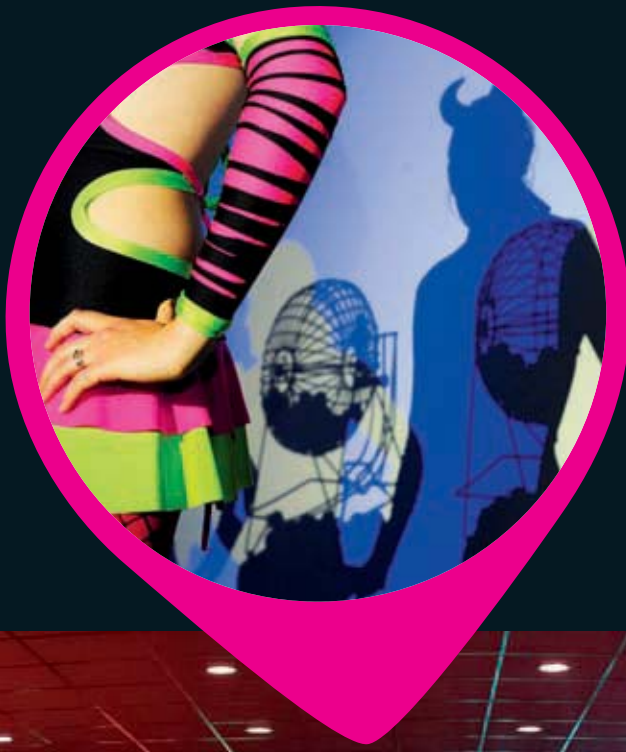
Our customers told us that it's the people who matter. The Mecca team makes the club tick with service that is fun, energetic and caring.



## *More choice*

Our customers told us that they enjoyed good quality, good value food and drink. We introduced a new menu, giving customers freshly cooked food delivered to their table by our friendly team.





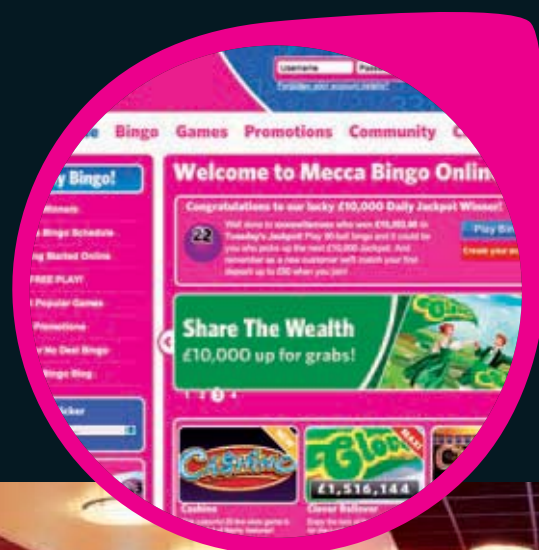
## *More entertainment*

Our customers asked us to introduce a bit more colour and variety into our games. We gave them After Dark, a branded suite of loud, entertaining and occasionally irreverent games and activities, from After Dark Bingo to The Poker Factory.



## More at home

Meccabingo.com allows customers to enjoy the Mecca experience at home, with some of the most exciting games and the best prizes available online.



## More amusing

Our customers told us that they wanted to be able to play amusement machines in comfortable surroundings. Our clubs feature a wide range of machines – from old favourites to the latest in server-based games – hosted by our friendly and professional amusement teams.



# Bingo clubs

## – Industry overview –

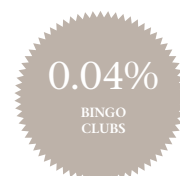
*Licensed bingo clubs have been in existence in Great Britain for almost half a century. They provide a fun and sociable form of gaming, targeted principally at women.*

## Responsible operation

### Reported breaches of self-exclusion 2008/2009\*



### Reported incidences of underage gambling in Great Britain 2008/2009



Source: Gambling Commission

Source: Gambling Commission

\* Charts show percentage of self-exclusions breached in bingo clubs compared with industry average.

\*\* Industry average comprises all land-based gaming revenues in Great Britain.

\*\*\* Rest of industry comprises licensed betting offices, adult gaming centres and casinos.

## Bingo clubs – Great Britain

Licensed bingo clubs first appeared in Britain's communities in 1961 and today bingo remains an important social pastime, particularly for women. According to the 2007 British Gambling Prevalence Survey, one in ten British women (or 7% of all British adults) played in bingo clubs between 2006 and 2007.

Bingo itself is a pari-mutuel lottery-style game where customers can compete for high prizes (Mecca Bingo has paid out jackpots of £1 million) with low stakes. In addition, clubs typically incorporate large amusement machine arcades and licensed bars and restaurants.

Customers are required to be 18 years or older in order to play in a bingo club and the sector has a strong record for responsible gaming (see 'Responsible operation' above).

## How bingo clubs generate revenue

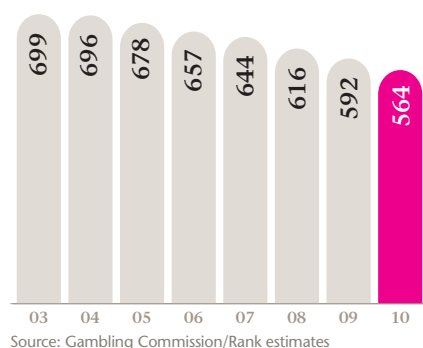
Description	How revenue is generated	Restrictions
<b>Main stage and interval bingo</b> Lottery-style game using random number generator	Club charges a 'participation fee' for each game	No restrictions on stakes and prizes
<b>Amusement machines</b> Electronic gaming using random number generator	Typically machines are set to retain between 5% and 10% of stakes over a cycle	Up to eight B3 or B4 machines and unlimited C and D machines per club*
<b>Food and drink</b> Bar, café and vending facilities	Charges for food and drink	Subject to liquor licensing

\* Rank operates separately licensed adult gaming centres, co-located with its Mecca Bingo clubs. These are permitted a maximum of four B3 machines as well as unlimited C and D machines.

More fun – the After Dark suite of branded games, such as Bingle, is helping Mecca to reach out to a broader range of customers.



### Number of bingo clubs operating in Great Britain (to February 2010)



During the 12 months to February 2010, the number of bingo clubs operating in Britain declined by 4.7% to 564 clubs as substantial tax increases contributed to the closure of 29 clubs.

The only full bingo club to be opened in the year was Rank's new Mecca Full House Destination club at Beeston in Nottingham.

Gala Bingo closed ten clubs during the year and Top Ten Bingo closed eight.

Over the same period, there was some growth in micro-bingo clubs, largely electronic high street businesses offering automated bingo and gaming machines. At present, these are excluded from the Gambling Commission's analysis of the bingo clubs market.

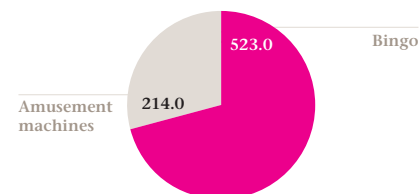
The most recently available data from the Gambling Commission shows that licensed bingo clubs in Britain generated £523m of revenue from games of bingo and £214m from amusement machines in the year to 31 March 2009.

### Bingo club operators in Great Britain

Operator	February 2010	February 2009
Gala Bingo	145	155
Mecca Bingo	103	102
Top Ten Bingo	27	37
Carlton Clubs	14	14
Riva Bingo	11	13
Buckingham Bingo	11	12
Others	253	259
<b>Total</b>	<b>564</b>	<b>592</b>

Source: Gambling Commission/Rank estimates

### Segmental revenue from licensed bingo clubs in Great Britain 2008 (£m)



### Spain

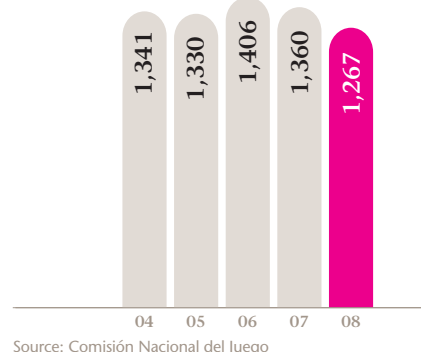
Licensed bingo clubs first appeared in Spain following the legalization of gaming in 1977. Today, bingo is the fourth biggest form of gaming in Spain, after gaming machines, lotteries and scratchcards.

The most recently available data on the Spanish gaming market is drawn from the 2008/9 report from the country's gambling regulator, the Comisión Nacional del Juego.

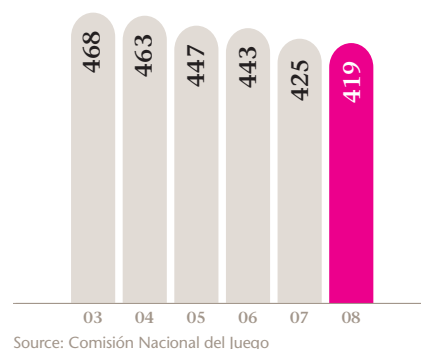
The report shows bingo revenues declined by 7.3% to €1.3bn in 2008. The number of bingo clubs operating fell by 1.4% to 419 clubs by the end of 2008.

Responsibility for the taxation and regulation of gaming and betting in Spain is devolved to the country's 19 autonomous authorities, under the guidance of the national Ministry of Finance and Ministry of the Interior.

### Revenue from bingo clubs operating in Spain (€m)



### Number of bingo clubs operating in Spain



The new Mecca Full House Destination club at Beeston in Nottingham was the only full-scale bingo club to open in 2009.



# Mecca Bingo

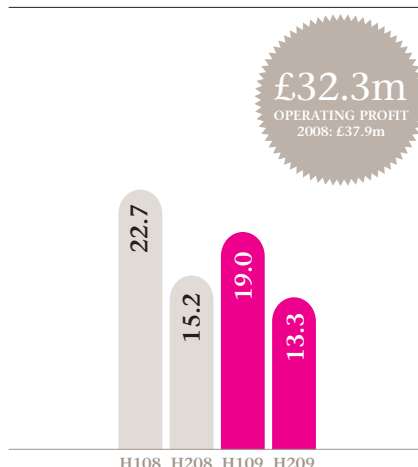


## Operating performance

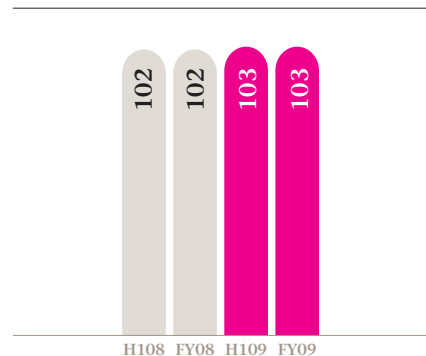
### Revenue\* (£m)



### Operating profit\*\* (£m)



### Clubs operating



### Customers (000s) (moving annual total)



\* All references to revenue in this section are before adjustment for free bets, promotions and customer bonuses.

\*\* All references to operating profit in this section are before exceptional items; operating profit by segment has been reallocated following the implementation of IFRS 8 ('operating segments').

## Priorities

- Mecca Full House Destination format to be extended to a total of four clubs by April 2010
- Continued investment in electronic gaming – product, service and environment
- Continued development of customer rewards programme
- Extension of cook-to-order food to at least a further 30 clubs and further trials of table service
- Target 45% net promoter score in 2010

## KPIs and key statistics

	2009	2008
Customer visits (000s)	14,933	15,358
Spend per visit (£)	15.60	14.82
Customers (000s)	881	898
Operating margin (%)	13.9	16.7

Mecca Bingo delivered a positive revenue performance in the year although operating profit was lower than in 2008, largely as a result of changes in taxation.

Revenue of £233.0m was 2.4% higher than in 2008, although this was due in large part to the change in bingo taxation which had the effect of magnifying revenue and reducing operating profit. On a like-for-like basis, revenue was in line with 2008.

Operating profit of £32.3m was 14.8% lower than in 2008, due in large part to the increase in bingo taxation, which cost £4.4m in the year and to the non-recurrence of a £2.1m VAT refund (received in 2008).

Mecca Bingo added one club to its estate, the new Mecca 'Full House Destination' club at Beeston in Nottingham. At 31 December 2009, Mecca Bingo operated 103 licensed bingo clubs across Britain, comprising more than 13,000 electronic gaming positions.

A 2.8% reduction in customer visits (a 3.6% reduction on a like-for-like basis) represented a lower rate of decline than in 2007 and 2008. During the year, the business served more than 881,000 customers, 1.9% fewer than in 2008.

Like-for-like spend per visit increased by 5.0% principally as a result of the improved performance from the business's amusement machines.



## Revenue analysis

	2009 (£m)	2008 (£m)
Main stage bingo	40.0	36.3
Interval games	105.0	108.4
Amusement machines	65.6	60.7
Food and drink/other	22.4	22.2
<b>Total</b>	<b>233.0</b>	<b>227.6</b>

## Main stage bingo

Revenue from main stage bingo increased by 10.2% to £40.0m, due to changes in taxation. Like-for-like revenue was 0.1% lower than in 2008.

## Interval games

Revenue from interval games declined by 3.1% to £105.0m, as a result of lower customer visits.

## Amusement machines

Revenue from our amusement machines grew by 8.1% to £65.6m as a result of the deployment of a higher number of B3 jackpot machines and a range of improvements to the quality of our product and service offer.

## Food & drink/other

Revenue from food and drink and ancillary items grew by 0.9% to £22.4m, reflecting a strong contribution from the new Mecca 'Full House Destination' club at Beeston and modest growth in spend per visit across the rest of the estate.

## Operating performance

### Revenue (£m)



### Operating profit\* (£m)



\* All references to operating profit in this section are before exceptional items.

## KPIs and key statistics

	2009	2008
Customer visits (000s)	2,310	2,410
Spend per visit (£)	15.67	14.85
Customers (000s)	314	323
Operating margin (%)	15.5	19.3

Top Rank España delivered a creditable performance against the backdrop of rising unemployment and declining consumer confidence in Spain.

Revenue increased by 1.1% to £36.2m, benefiting from the strength of the euro against Sterling. In euros, revenue declined by 8.9% with customer visits 4.2% lower than in 2008 and spend per visit 4.9% lower.

During the year, our clubs served 314,000 customers, 2.8% fewer than in 2008.

There were no changes to the Top Rank España estate during the year and at 31 December 2009, the business operated 11 bingo clubs in Catalonia, Madrid, Andalucía and Galicia.

The business's amusement machines performed well during the period despite the decline in customer visits.

## Revenue analysis

	2009 (£m)	2008 (£m)
Bingo	24.0	24.2
Amusement machines	8.4	7.8
Food and drink/other	3.8	3.8
<b>Total</b>	<b>36.2</b>	<b>35.8</b>

## Priorities

- Target 40% net promoter score
- Maintain local market share
- Prepare for possibility of full smoking ban

# *G Casino: One amazing venue*

*G Casino was born in Manchester in 2006.*

*The brand offers entertainment and fun based around casino gaming. G Casino has been successful in reaching out to a far wider customer base and generates significantly higher levels of customer visits compared with a traditional British casino.*



Step inside to experience  
the best game in town





## *The best game in town*

Our customers told us that the excitement and glamour of a night out at the casino should start on the outside. In contrast to most casinos in Britain, G Casinos feature large, bright and highly visible exteriors and are situated in prominent locations.

## *More welcoming*

G Casino's signature bar provides a relaxed and stylish welcome to the club.



## *More rewarding*

Our customers told us that they wanted to feel valued for their loyalty. Our Play Points customer rewards programme allows customers to earn and redeem points for a range of goods and services.



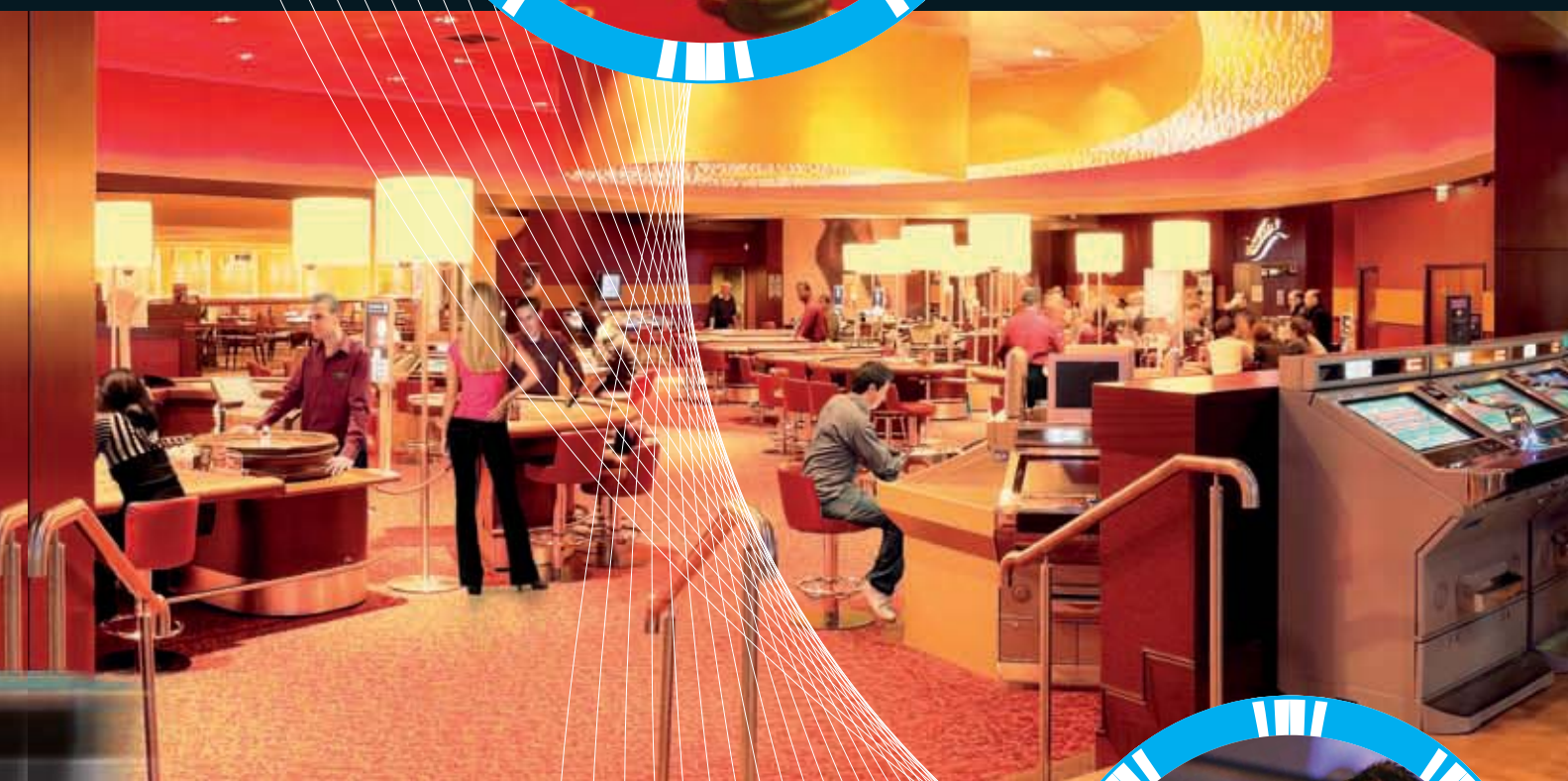
## *More choice*

Our customers told us that a good meal was an important part of their leisure experience. Our Gallery restaurants provide good quality, good value food and drink with the theatre of views over the gaming floor.



## *More games*

Our customers told us that they wanted to play a variety of games in a relaxing environment. G Casino offers a wide range of traditional and electronic casino games, operated by friendly and professional dealers.



## More at home

Our customers told us that they like to play online as well as in-club. All of our G Casino customers are offered the chance to play their favourite games from the comfort of their own homes, through gcasino.com



## More hold 'em

Our customers told us that they wanted more community games like Texas Hold 'Em Poker. G Casino offers some of the biggest and best card rooms in the country.

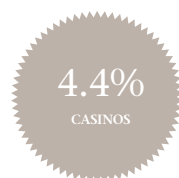
# Casinos

## – Industry Overview –

*British casinos have evolved considerably over recent years. Today, casinos offer a range of gaming and non-gaming activities in safe and relaxed environments.*

## Responsible operation

### Reported breaches of self-exclusion 2008/2009\*



Source: Gambling Commission

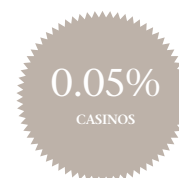


\* Charts show percentage of self-exclusions breached in casinos compared with industry average.

\*\* Industry average comprises all land-based gaming venues in Great Britain.

\*\*\* Rest of industry comprises licensed betting offices, adult gaming centres and bingo clubs.

### Reported incidences of underage gambling 2008/2009



Source: Gambling Commission



## About casinos – Great Britain

**A**lthough casino gaming has a long history in Britain, the first licensed casinos came into existence in 1968. Casinos are the only licensed venues in Britain able to offer traditional casino table games like roulette and blackjack. In addition, most casinos provide a range of electronic casino games, gaming machines and licensed bars. Some offer player-to-player card rooms, sports lounges and good quality restaurants.

### A record of responsibility

The sector is subject to a number of restrictive regulations, particularly with regard to the provision of gaming machines. As a consequence, fewer than 1% of Britain's total number of gaming machines are located within casinos.

However, Gambling Commission data suggests that Britain's casinos offer higher levels of customer protection than most other gaming venues.

### Growth in participation and visits

In recent years, the number of adults visiting casinos in Britain has grown significantly from a low base.

According to the British Gambling Prevalence Survey, just 4% of British adults visited casinos in 2007. This is substantially lower than participation rates in other culturally similar nations, such as Australia and the United States of America.

Data from the Gambling Commission shows that customer visits to casinos have increased steadily over recent years as progressive changes to gaming regulations (such as the removal of the 24-hour 'cooling-off' period for new customers) and investment in larger premises and wider amenities have stimulated growth.

## How casinos generate revenue

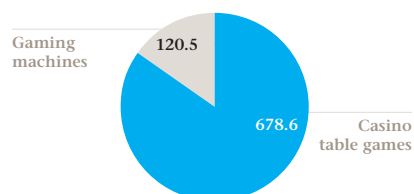
Description	How revenue is generated	Restrictions		
		1968 Act Casino	2005 Act Small Casino	2005 Act Large Casino
<b>Casino table games</b>				
Fixed odds betting on games of probability, played against the house	Odds incorporate 'house edge', giving casino slight advantage on each bet	No restriction on number of tables permitted House sets maximum staking level		
<b>Electronic roulette</b>	Casino table game using electronic terminal	No restriction where terminal is linked to a manned roulette wheel; maximum of 40 terminals linked to automated roulette wheel		
<b>Gaming machines</b>				
Electronic gaming using random number generator	Typically machines are set to retain between 5% and 10% of stakes over a cycle	20 machines (B1 to B4) or Unlimited C and D machines	Up to 80 machines (categories B1 to D)	Up to 150 machines (categories B1 to D)
<b>Card room games</b>				
Player-to-player games e.g. poker, mah jong	Standard hourly charge or Rake (casino retains small percentage of each 'pot')	No restrictions		
<b>Food and drink</b>				
Bars and restaurants	Charges for food and drink	Subject to liquor licensing		
<b>Sports betting</b>				
See page 28	Customer stakes less customer winnings	Not permitted	Permitted	Permitted
<b>Bingo</b>				
See page 18	Participation fee	Not permitted	Not Permitted	Permitted

During 2009, there was a slight decrease in the number of casinos operating in Great Britain, as four casinos were opened and six were closed. The total number of licences increased marginally, with the grant of a 1968 Act licence in Liverpool to an independent operator. This was the final casino licence

to be granted under the 1968 Act, leaving the number of casino licences in Britain capped at 203 (including the 16 new style licences provided for within the 2005 Act).

Rank's Grosvenor Casinos business developed two new casinos and acquired one casino and one non-operating casino licence. Gala Casinos and Genting

**Gaming revenue from casinos  
in Great Britain 2008/2009 (£m)**  
(excludes card room games)



Source: Gambling Commission

Stanley both made minor changes to their casino estates.

Of the four casinos to open in the year, only one – the G Casino at Dundee – featured traditional casino table games; the other three were small fully electronic casinos in Luton (Genting Stanley), Leeds (Grosvenor Casinos) and Nottingham (Gala Casinos).

### Acquisitions and exits

The casino sector experienced its busiest year for corporate transactions since 2006.

In April, US gaming company Isle of Capri exited Britain via the sale of its casino in Coventry to Rank and a withdrawal from its investment in Blue Chip Casinos, which subsequently entered administration (Club 36 and Rank separately acquiring its assets).

In December, Ladbroke's also exited the British casinos market via the sale of its London Paddington club to Guoco, who announced plans to relocate the licence to the Guoman Cumberland Hotel at Marble Arch.

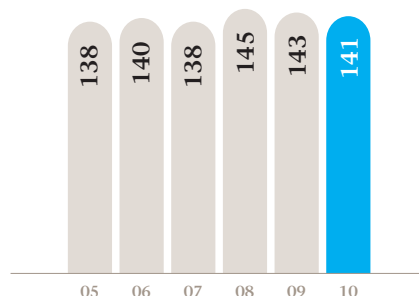
### 2005 Act casinos

The Gambling Act 2005 makes provision for 17 new-style casino licences under three distinct categories – one 'Regional casino'; eight 'Large casinos'; and eight 'Small casinos'. The licences feature a number of advantages compared with existing ('1968 Act') casinos, including the ability to offer sports betting, bingo and a far higher number of gaming machines (see table on page 24).

During 2008, the British Parliament passed a vote on which local authorities would be granted the 'Large' and 'Small' licences but did not approve the location of the 'Regional' casino.

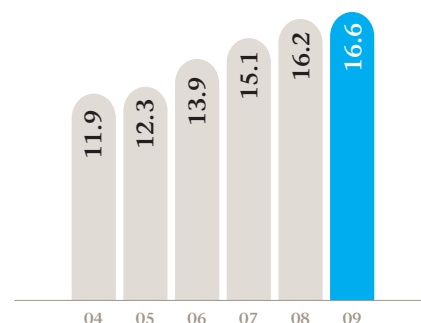
The process to award some of these licences to casino operators is expected to commence during 2010.

**Number of casinos operating in  
Great Britain (as at February 2010)**



Source: Gambling Commission/Rank estimates

**Casino attendance 2004 to 2009  
(millions)**



Source: Gambling Commission

### Casino operators – Great Britain

Operator	February 2010		February 2009	
	Operating	Non-operating	Operating	Non-operating
Genting Stanley	44	11	44	10
Grosvenor Casinos	35	12	32	13
Gala Casinos	27	4	26	5
London Clubs	9	2	11	1
A&S Leisure	6	0	6	0
Aspers/Aspinall's	4	1	4	0
Club 36	3	0	1	0
Clockfair	2	0	2	0
Guoco	1	5	1	4
Isle of Capri/Blue Chip	0	0	3	1
Others	10	11	13	9
<b>Total</b>	<b>141</b>	<b>46</b>	<b>143</b>	<b>43</b>

Source: Gambling Commission/Rank estimates

### Casino acquisitions 2009

Location	Acquirer	Vendor
Coventry	Rank	Isle of Capri
Blackpool	Crown Leisure	London Clubs
Margate (non-operating)	Genting Stanley	Regal
Dudley	Club 36	Blue Chip
Wolverhampton	Club 36	Blue Chip
Walsall (non-operating)	Rank	Blue Chip
London (non-operating)	Guoco	Ladbroke's
Swansea (non-operating)	Aspers	Lanes

Source: Gambling Commission/Rank estimates

### Top ten casino markets in Great Britain

Location	February 2010		February 2009	
	Operating	Non-operating	Operating	Non-operating
London	23	5	25	3
Birmingham	7	1	7	1
Manchester	6	3	6	3
Glasgow	5	4	5	4
Nottingham	5	1	4	2
Leeds	5	0	4	1
Edinburgh	4	1	4	1
Aberdeen	4	0	4	0
Liverpool	3	3	3	2
Northampton	3	1	4	0

Source: Gambling Commission/Rank estimates

# Grosvenor Casinos



## Operating performance

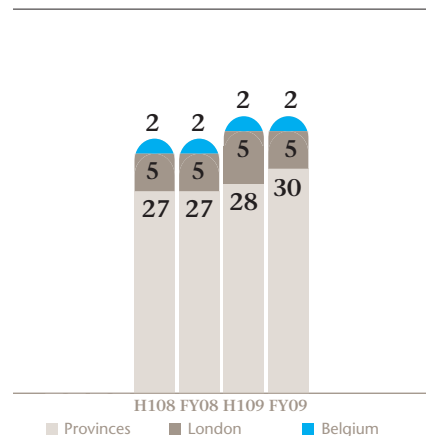
### Revenue\* (£m)



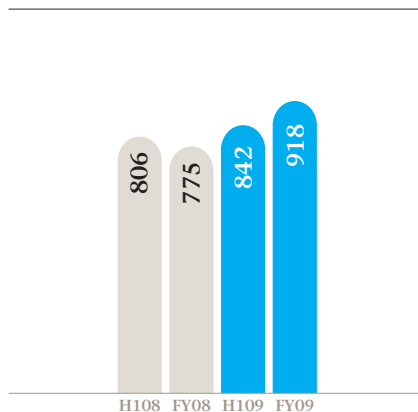
### Operating profit\*\* (£m)



### Casinos operating – provinces, London and Belgium



### Customers (000s)



\* All references to revenue in this section are before adjustment for free bets, promotions and customer bonuses.

\*\* All references to operating profit in this section are before exceptional items; operating profit by segment has been reallocated following the implementation of IFRS 8 ('operating segments').

## Priorities

- Continued expansion of G Casino brand
- Extension of Play Points customer rewards from eight to 18 casinos
- Extension of 24-hour opening
- Investment in enhanced electronic gaming product and service
- Continued investment to improve dining experience
- Target 45% net promoter score in 2010

## Key statistics

	2009	2008
Customer visits (000s)	4,825	4,264
Spend per visit	45.60	48.36
Customers (000s)	918	775
Operating margin (%)	14.0	12.6

Grosvenor Casinos achieved strong growth in revenue and operating profit in the year as a result of significant increases in customers and customer visits.

Revenue increased by 6.7% to £220.0m principally as a result of new additions to the G Casino estate in 2008 and 2009. Customer visits increased by 13.2%, offsetting a 5.7% decline in spend per visit.

On a like-for-like basis revenue grew by 3.0%, driven by strong growth in customer visits as the business started to reap the benefits of a range of management initiatives, including 24-hour opening and our Play Points rewards programme.

Spend per visit declined in our casinos both in London and the provinces a result of lower win margin on table games.

Operating profit increased by 19.3% to £30.9m despite the business incurring £1.3m of additional tax costs arising from changes to the taxation of card room games, announced in the Budget.

During the year, our casinos served more than 918,000 customers, an increase of 18.5% compared with 2008.

We added three casinos to our estate with new G Casinos at Coventry and Dundee and the first of our fully electronic casinos at Leeds. At 31 December 2009, we operated 35 casinos in Britain and two in Belgium. In addition, we held 12 non-operating casino licences in Britain that we plan to develop in the medium term.

### London

Revenue from our five London casinos was 1.8% lower than in 2008 with 6.8% growth in customer visits only partially

offsetting an 8.0% decline in spend per visit. Operating profit of £13.2m was 5.6% higher than in 2008 as a result of the non-recurrence of certain legal fees.

### Provinces

Revenue from our casinos outside London grew by 13.9% to £115.9m as 16.1% growth in customer visits offset a 1.9% decline in spend per visit.

Like-for-like revenue increased by 6.8% with customer visits and spend per visit up by 4.7% and 2.0% respectively. Operating profit of £16.8m was 43.6% higher than in 2008.

### Belgium

Our two casinos in Belgium grew revenue by 8.2% to £17.2m. Operating profit of £0.9m was £0.8m lower than in 2008 as a result of inflationary cost pressures.

### Revenue analysis (Great Britain only)

	2009 £m	2008 £m
Casino table games	145.4	144.6
Gaming machines	34.3	28.4
Card room games	8.8	5.1
Food & drink/other	14.3	12.2
<b>Total</b>	<b>202.8</b>	<b>190.3</b>

Within Grosvenor's Casinos in Britain, gaming machines and card room games were the major drivers of growth.

### Casino table games

Revenue of £145.4m from table games was slightly ahead of 2008 despite changes in customer mix causing a dilution in win margin.

### Gaming machines

Revenue from gaming machines grew by 20.8% to £34.3m. This performance reflects improvements to product and service levels, like-for-like growth in customer visits and the expansion of our casinos portfolio.

## Revenue & operating profit

	Revenue £m		Operating profit £m	
	2009	2008	2009	2008
London	86.9	88.5	13.2	12.5
Provinces	115.9	101.8	16.8	11.7
Belgium	17.2	15.9	0.9	1.7
<b>Total</b>	<b>220.0</b>	<b>206.2</b>	<b>30.9</b>	<b>25.9</b>

## Key performance indicators

	Customers visits 000s		Spend per visit £	
	2009	2008	2009	2008
London	959	898	90.62	98.55
Provinces	3,560	3,067	32.56	33.19
Belgium	306	299	56.21	53.18
<b>Total</b>	<b>4,825</b>	<b>4,264</b>	<b>45.60</b>	<b>48.36</b>

### Card room games

Revenue from player-to-player card room games, such as poker and mah jong, grew by 72.5% to £8.8m. This was due in part to the change in taxation introduced in the Budget, which increased reported revenue but reduced profit. Excluding the tax changes, card room revenue grew by 55.8%, reflecting the expansion of our card room network.

### Food & drink

Revenue from food and drinks of £14.3m was 17.2% higher than in 2008, reflecting both the growth in customer visits and the success of our actions to improve the quality of our product and service.

During 2009, we grew the G Casino brand from six clubs to ten.



# Remote gaming and betting

## – Industry overview –

*Internet and mobile gaming continued to develop in 2009 as governments in a number of previously closed European markets set out plans to regulate the industry.*

### Remote gaming and betting

Despite the fact that internet-based gaming and betting has been in existence for more than a decade, only a handful of countries have established formal regulatory frameworks for its operation. In 2009, there were signs of a shift towards greater regulation.

#### Britain

Internet betting and gaming have long been legal activities within Britain. Companies based in the UK may legally promote remote gambling to the country's adults in accordance with guidelines set out by the Gambling Commission. In addition, companies established elsewhere in the European Union as well as certain 'white-listed' territories may also market their services (although a review of licensing for overseas-based companies is currently underway).

During 2009, the percentage of UK adults participating in remote gambling increased from 9.7% to 10.5%. By far the most popular form of remote gambling is the National Lottery's website. Excluding this, the level of participation grew from 5.6% to 5.7%.

#### Spain

Despite being one of the first countries in western Europe to signal an ambition to set out a regulatory regime for online gaming, matters have not progressed as anticipated.

Nevertheless, Spain remains an important online gambling market with revenues set to rise from €200m in 2008 to €450m in 2012, according to the Spanish Association of Internet Gamblers.

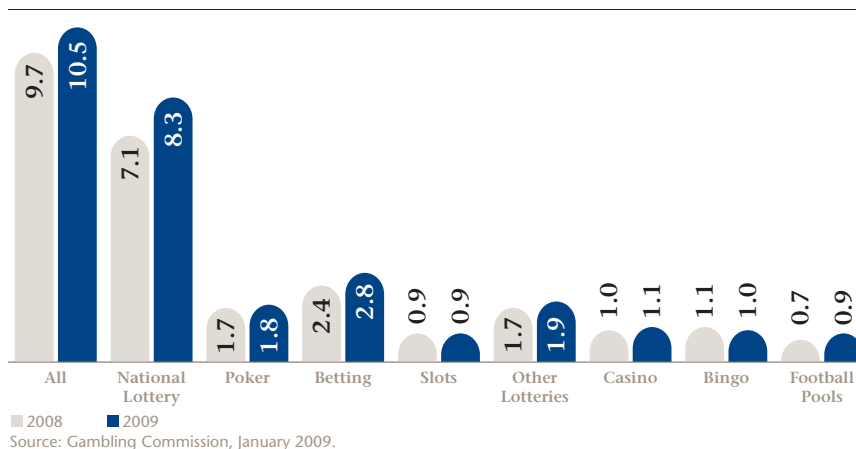
#### Italy

Following the enactment of legislation in 2006, the Italian online gaming market has

### Revenue generation

Description	How revenue is generated
<b>Sports betting</b> Betting on the outcome of uncertain events – e.g. sports	Customer stakes less customer winnings
<b>Bingo</b> See page 18	Participation fee
<b>Casino</b> See page 24	House edge
<b>Poker</b> See page 24	Rake (operator retains small percentage of each 'pot')

### Participation in remote gambling in Great Britain (% of adult population)



flourished. Operators are required to gain licences from the Italian government and internet-service providers are monitored to prohibit unlicensed operators.

During 2008, the industry generated an estimated €1.5bn of revenue but such was the growth rate in 2009 that it had already surpassed this level by July.

#### France

During 2009, the French legislature voted

through proposals to establish a regulated online gambling market, based upon the Italian model of licensing.

#### Belgium

The Belgium government has proposed legislation to establish a regulatory framework for online gaming open only to companies with land-based gambling businesses.



**R**ank Interactive had a mixed year with continued revenue growth from our bingo sites being outweighed by a decline in sports betting. The business finished the year strongly after a difficult first half.

During the year, Rank Interactive served more than 271,000 customers, 6.2% fewer than in 2008.

Revenue declined by 3.4% to £50.8m but operating profit was held in line with 2008 as a result of effective cost management.

## Revenue analysis

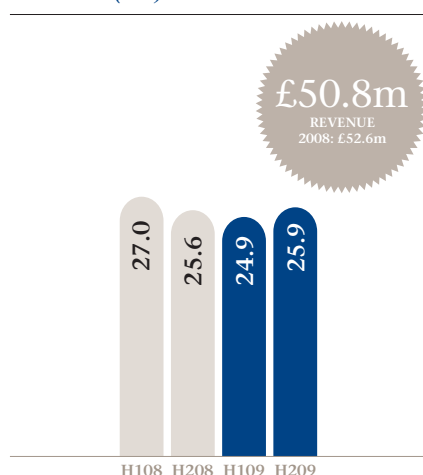
	2009 £m	2008 £m
Bingo & games	34.3	29.7
Casino	5.1	5.5
Poker	2.9	3.8
Sports betting	8.5	13.6
<b>Total</b>	<b>50.8</b>	<b>52.6</b>

Our bingo and games sites grew revenue by 15.5% to £34.3m as our decision to put more emphasis and marketing support behind our relaunched meccabingo.com site resulted in growth in customers.

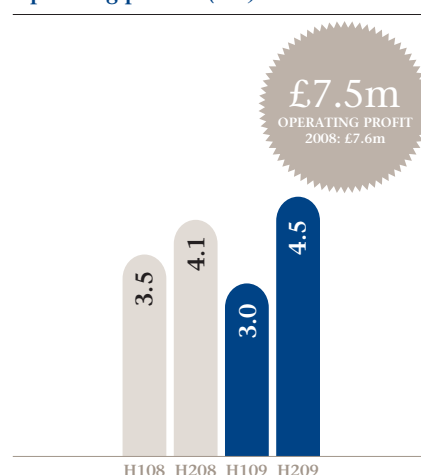
Revenue from our Blue Square sportsbook declined by 37.5% to £8.5m as a result of lower staking levels and a substantial reduction in win margin.

Revenue both from casino games and poker declined. However, a renewed focus, on casino games – particularly the launch of gcasino.com – caused online casino revenue to grow during the final quarter of the year.

## Revenue\* (£m)



## Operating profit\*\* (£m)



\* all references to revenue in this section are before adjustment for free bets, promotions and customer bonuses.

\*\* all references to operating profit in this section are before exceptional items; operating profit by segment has been reallocated following the implementation of IFRS 8 ('operating segments').

## Key statistics location

	2009	2008
Customers (000s)	271	289
Operating margin (%)	14.8	14.4

## Priorities

- Target 45% net promoter score in 2010
- International development

Blue Square maintained its support of grass-roots football through its sponsorship of the Blue Square Premier



# Corporate responsibility

## – Industry Overview –

*We comply with all prevailing regulations governing our industry. Not only that, we apply our own high standards of ethics in everything we do.*

## Our corporate responsibility strategy

Our corporate responsibility (CR) strategy focuses on five key areas, namely:

- **Our customers** – providing safe, fun, enjoyable experiences for the many while working hard to protect the vulnerable few;
- **Our people** – providing a positive working environment;
- **Our natural environment** – being energy-efficient and reducing waste;
- **Our suppliers** – treating contractors and suppliers fairly; and
- **Our communities** – targeting support to make a difference.

The chief executive sets direction in relation to CR issues and governance thereof is managed through the company secretary.

By operating responsibly we aim to achieve sustainable growth and long-term shareholder value:

### Business goals

**Provide enjoyable gaming-based leisure experiences.**

### Achieving goals responsibly

Protecting and helping the vulnerable few at risk from a gambling problem.

### Highlights and examples

Rank has stringent responsible gambling policies. In 2009 we donated £267,000 to gambling support charities through the GREaT Foundation (formerly Responsibility in Gambling Trust). We won a gold award from GREaT for being a top donor and for providing support above and beyond our financial donation.

### Satisfy our customers.

Being forward-thinking; anticipating what matters to diverse consumers and communities.

By constantly listening to our customers and acting on what they tell us, we achieved a positive trend in our net promoter score in 2009.

### Grow customer visits to our clubs and casinos.

Supporting our people to deliver the best experience and be the best they can be.

In 2009 we continued to provide customer-centred training including a programme for our casino supervisors that is driving customer focus to new levels.

### Offer safe environments for social entertainment and fair play.

Upholding the licensing objectives of the Gambling Act 2005 and proactively identifying and preventing problem gambling.

All Rank's UK businesses are accredited by GamCare – the standard for responsible gambling operators – and we continue to invest in our security systems.

### Maintain the highest professional standards.

Developing a motivated, committed workforce to operate ethically and legally.

Our framework of HR policies and practices is designed to ensure transparency, consistency and equity in all our dealings with employees.

### Run our businesses efficiently and cost-effectively.

Saving energy and other natural resources.

A range of initiatives has brought savings and helped us reduce our carbon footprint.

For more information on our Group Strategy see:



p.8

**We will continue to progress our CR programme in the year ahead, focusing on:**

- **Our customers** – upholding the well-established policies and procedures that underpin our reputation as a responsible, ethical operator so as to provide safe and enjoyable experiences for our customers;
- **Our people** – continuing to implement our comprehensive Group people plan, including establishing a diversity forum to review and strengthen how we promote workforce diversity; and
- **Our natural environment** – managing our environmental impacts effectively;
- **Our suppliers** – achieving value in the procurement of goods and services while maintaining business continuity and managing risk; and
- **Our communities** – maintaining our commitment to charities on a national and local level. This includes the goal of raising £200,000 for Marie Curie Cancer Care, the national charity partner for Mecca Bingo, G Casinos and Rank Interactive; and Grosvenor Casinos will continue to raise funds for their chosen local charities in 2010.



## Progress summary

<i>In 2009 we said we would</i>	<i>What we did</i>
<b>Reduce Rank Group's carbon footprint by a further 6%</b>	On a like-for-like* basis we achieved this objective. (* based on the same number of operating hours as 2008)
<b>Introduce responsible gambling assessments for all customer-facing employees in the UK</b>	We introduced a computer-based assessment to the retail businesses in February 2009. More than 3,500 employees have now been assessed for their understanding of our policies as part of a programme that will continue throughout 2010.
<b>Implement a new community investment strategy for Grosvenor Casinos</b>	Each of our casinos adopted a local charity and collectively raised over £71,000.

## Our stakeholders

Rank listens and responds to opinions and concerns and we actively engage with our customers, employees, shareholders, local communities, government and regulators, Non-Governmental Organizations (NGOs), media and other key stakeholders. In turn, Rank has a responsibility to raise awareness of matters affecting the business – a current example being our public engagement on the issue of gaming taxation (see page 13).

## Our economic impacts

Rank contributes to the economy in various ways. These include employment opportunities (we had 8,957 employees as at 31 December 2009, of which 8,170 are in the UK, and we paid wages and salaries amounting to £147.9m). We also contribute to the economy through business placed with suppliers (£130m annual procurement spend) and taxes (£146.8m paid in 2009).

In addition, we play a positive role in people's social lives and the life of communities through our presence in towns and cities throughout the UK. Our 103 bingo clubs and 35 casinos provide safe leisure environments for a wide range of customers to enjoy.

## Our customers

### Responsible gambling

Through our responsible gambling policy, Rank is committed to upholding the licensing objectives of the Gambling Act 2005, which are to:

- protect children and other vulnerable persons from being harmed or exploited by gambling;

- prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime; and
- ensure that gambling is conducted in a fair and open way.

The most recent British Gambling Prevalence Survey (2007) shows that difficulties with gambling affect a very small percentage of people. Nonetheless, Rank Group has a clear social and moral obligation to assist players who may be vulnerable to gambling difficulties. The survey found that the incidence of problem gambling in the adult population was about 0.6% (a maximum of 284,000 adults) – roughly the same percentage as in 1999. This is on a par with Sweden, Canada and New Zealand and lower, for example, than the USA (3.5%) or Hong Kong (5.3%).

Grosvenor and G Casinos achieved accreditation from the Gambling Commission following a successful inspection of our responsible gambling procedures, and all Rank's UK-facing businesses, (Mecca Bingo, Grosvenor Casinos and Rank Interactive), have been accredited to the GamCare standard for responsible gambling operators.

### Responsible gambling: management and training

Responsible gambling is a high priority for Rank and our policy and performance are regularly reviewed by senior management. This includes twice-yearly reviews by the Rank board and the audit committee, and quarterly reviews by Rank's responsible gambling committee and our anti-money laundering group. This year, we refreshed and re-delivered our industry-leading responsible gambling

### Supporting research, education and treatment

Rank is a founding supporter of GamCare, the UK's national centre for information, advice and practical help regarding the social impact of gambling. GamCare reports that more problem gamblers are receiving help than ever before. As a measure of effectiveness, 88% of GamCare clients were assessed by the charity as being problem gamblers and this went down to 15% following treatment. However, the Gambling Commission's 2007 research suggested that less than 1% of people who could benefit from treatment actually take it up. GamCare recognises that there is still much to be done and Rank is committed to supporting its work. In 2009, Rank contributed £267,000 to gambling support charities including GamCare through the GREaT Foundation – a level of funding that will continue to 2012 subject to a limited number of conditions.

Rank was unanimously voted 'Donor of the Year 2009' in GREaT's awards. We were nominated by an expert panel in recognition of support we have provided, not only through financial donations but also through extra efforts made to encourage others to donate and support.

training module to 360 managers across the Group.

We train all land-based customer-facing employees in our responsible gambling policy. This starts with induction training, which is comprised of three modules of computer-based training on 'knowing your customer' to help our people recognise behaviours associated with problem play; a total of 5,440 people have completed this training since its introduction. In addition, our people are required to show that they understand and can act on our policies on an ongoing basis so all employees complete an assessment on the second anniversary of their initial training and then every two years thereafter. In 2009, 4,380 customer-facing employees of Grosvenor Casinos and Mecca Bingo went through this assessment. Any employee failing has to repeat the training until the required standard is achieved. The assessment process will continue throughout 2010 with an ongoing review of content to ensure it reflects latest developments in the field.

Rank provides specific training for managers on methods for engaging potential at-risk customers in 'intervention' conversations designed to help the individuals concerned. This training is continuous, with 170 managers going through the programme in 2009 and a further 180 scheduled for 2010.

### Protecting vulnerable customers

As well as the measures described above, where appropriate, we carry out proof-of-age checks at supervised entry points, support customers who wish to

exclude themselves from gambling or set up spending limits, display information to help customers identify the signs of a problem and find support, and highlight the Gambling Commission's gambleaware.co.uk address on our UK businesses' print advertising.

Rank Interactive continuously updates and enhances its technologies, including using sophisticated verification procedures to identify and exclude underage users. We also provide tools to reduce the risk of problem gambling: users can set themselves affordable budget limits and/or temporarily or permanently exclude themselves from online play. Rank Group's funding for GamCare is adding to the charity's capacity to provide support services online. These include NetLine, launched in 2007, online chat room sessions and a self-help forum.

### Security, fair play and combating crime

People's safety and security is our top priority, whether they are customers coming to our clubs or our employees. Rank promotes open and transparent gaming, helped by a number of measures including digital closed circuit television covering gaming tables – which are also overseen by our experienced gaming supervisors – and clear 'how to play' guides available in our casinos. This year we also developed the role of our Grosvenor and G Casinos supervisors to refocus on the customer when delivering table games and other elements of the casino experience. Our training for employees in the new customer support role is designed to ensure that customers are offered a friendly, jargon-free, face-to-

face introduction so that first-time visitors in particular can feel comfortable in the casino environment and that customers understand the games before they play.

Rank is vigilant in combating crime. We have comprehensive anti-money laundering procedures in place and are able to exclude customers and potential customers who could interfere with the general enjoyment of our facilities. This exclusion also applies to those people who have been found to be involved in criminal activity or are underage. We encourage our employees to report any suspected malpractice.

Online security is also a priority and Rank Interactive has implemented Payment Card Industry standards for card transactions, which will further increase data integrity. Online players' accounts are password protected, with the details encrypted, and in addition we run daily reports to look for any suspicious activity.

### Satisfying our customers

We continuously listen to and act on both positive and negative feedback in order to provide the best possible customer experience and in 2009 we saw positive trends in our net promoter score (NPS) and retention rates. We will continue to drive service levels helped by a clear understanding of what matters to our customers. A number of initiatives are helping us to maintain this insight:

- we have started to test an instant customer feedback, a process for ensuring customer views are fed rapidly back to management;
- we carry out continuous customer research including NPS surveys

See the net promoter score on:

p.10



See the health and safety information on:

p.56



### The Mecca Management Academy

The Academy was established in June 2009 to provide a first-class development programme customised to our business and of practical value to Mecca trainee general managers. The 16-month programme is tailored specifically to the requirements of the management role with a strong focus on leadership, and is designed to support the delivery of Mecca's strategy. On successful completion of the training, candidates acquire a recognised qualification – the Institute of Leadership and Management (ILM) Certificate in Management.

The gradual movement to increased numbers of server-based gaming terminals not only provides our customers with increased gaming choice but also delivers a positive environmental benefit in minimising transport impacts. New games can be downloaded remotely to the terminals without the need physically to change or move cabinets, which has historically been common practice in the gaming industry.



- (benchmarked against the competition and wider leisure industry), focus groups and other regular surveys; and
- we introduced brand standards covering everything from food preparation to uniforms, which are regularly monitored through management visits.

## Our people

Our people are core to delivering our vision to put customers at the centre of our operations. We are committed to looking after our employees and enabling them to fulfil their potential. We aim to provide a fair, equal, respectful and safe workplace, rewarding and recognising a job well done. We strive to be an employer of choice where our people feel proud to work.

### Recruitment and retention

Through the economic recession, the Group has largely been able to preserve employment and avoid short time working, pay cuts and redundancies. This year we created 350 new jobs in the UK through new acquisitions and openings. Employee turnover has decreased year on year since 2006. Retaining skilled employees not only avoids unnecessary attrition costs but also ensures that the Group is well positioned to take advantage of improvements in the economic climate.

### Developing talent

Developing and attracting management talent to deliver our strategy and help take the company forward is a priority for us. Our talent development programme, which includes succession planning, ensures the management and development of talent within the

Group. We have also invested in the Mecca Management Academy which demonstrates the importance we place on developing future leaders. Through the human resources team the Group delivers extensive face-to-face training for team members at all levels. We pay particular attention to customer initiatives, technical training and skills development.

### Promoting a diverse workforce

Diversity is another priority for us and in 2009 we established the diversity steering group, comprising representatives from across the Group, to oversee our work in this area with a particular focus on gender and ethnicity. Diversity brings great benefits to the Company and also helps us understand the needs of a broad base of customers.

### Maintaining health and safety

The health and safety of our employees is very important to us. The number of accidents required to be reported to the Health and Safety Executive under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 decreased from 23 in 2008 to 21 in 2009. Any workplace accidents are reviewed and corrective action and/or training is implemented to reduce the risk of further occurrences. Please see page 56 (statutory information) for Rank's approach to health and safety management including compliance with statutory requirements.

We were proud that our headquarters in Maidenhead and the Grosvenor Victoria Casino were awarded a five star status by the British Safety Council's Five Star Health and Safety Management System Audit. The five star audit is

internationally recognised as one of the most comprehensive independent audit measurement systems verifying best practice in health and safety. Our rating enables us to apply for the British Safety Council Sword of Honour for 2010.

### In dialogue with our employees

We consult with our employees, listen to their views and respond to any concerns. Our employees have access to feedback channels (including face-to-face, online and printed communications), employee councils and consultative committees.

We also canvass opinions through our rolling quarterly employee engagement survey. We have seen a generally improving trend across Rank's brands in Britain since we began surveying employee opinion, regularly achieving overall engagement results of around 70%, and sometimes above 80%. We score particularly strongly with employees across all brands in terms of stability (i.e. the desire still to be with Rank in a year's time) and also satisfaction with the job and the Company. A high proportion of all employees say they would recommend Rank as a "good place to work" and even more are "happy to go the extra mile" in their daily work.

Rank compares its employee engagement results against external benchmarks, so it knows that its employees rate it significantly better than similar organisations in terms of fair and respectful treatment of the workforce by managers. Rank also scores highly on keeping its employees well informed. Employees' pride in the Company and commitment to its goals also come across very strongly in Rank's survey results.

In 2009 Mecca Bingo's fundraising efforts have provided more than 60 children with bespoke mobility equipment. Among them is lively five-year old Daniel who can now propel himself and join in with classmates for the very first time on the special trike provided by Whizz-Kidz. This equipment was unavailable to Daniel on the NHS and is much more expensive than a regular trike so Daniel's parents decided to apply to Whizz-Kidz. With the help of funds raised by Mecca Bingo Bradford, Whizz-Kidz was able to meet their request. As well as being lots of fun, the trike will assist in Daniel's physical development, helping to strengthen his legs and improve coordination, and all the family are delighted with the results: "We are all over the moon! This is the first bike Daniel has been able to ride by himself and he really loves it!"



## Our natural environment

Our environmental strategy focuses on energy efficiency as our main priority. Having established our environment committee in 2007, we have continued to take steps to reduce our carbon footprint. Approximately 90% of our emissions come from energy use in our buildings and the remainder from travel and waste disposal, so we have been working with The Carbon Trust to improve energy efficiency and ensure compliance with the Carbon Reduction Commitment (CRC).

Working with Inenco (an energy management, sustainability and environmental consultancy) and The Carbon Trust, we have carried out detailed energy surveys in a representative sample of properties, identifying ways to save energy and costs with potential for implementation across our estate. Recommendations cover energy use in everything from air conditioning to catering, and the charging procedures used for electronic bingo terminals. In addition to this work, the introduction of automated gas and electricity meter reading in Grosvenor Casinos and Mecca Bingo is providing us with an in-depth understanding of consumption patterns, enabling energy use to be analysed on a daily basis site-by-site. When fully implemented this will lead to increased energy efficiency across our estate.

This year we also:

- held seven regional training seminars on CRC and energy efficiency;

- continued to work towards achieving The Carbon Trust Standard, which recognises good practice in the key areas of measurement, management and reduction (targeted for summer 2010); and
- verified our previous carbon calculations to establish a basis for future reporting.

These and other environmental initiatives are being undertaken to ensure Rank fulfils its commitments in energy, carbon and cost efficiency.

## Our suppliers

Our strategy is to achieve value for Rank Group in the procurement of goods and services while maintaining business continuity and managing risk. Rank's supply chain is predominantly UK-based and as we continue to develop supply partnerships with large national companies we can be confident of their excellent social, ethical and environmental credentials. Our annual procurement spend in 2009 was around £130 million, with the greatest proportion going towards food and beverages, utilities and cleaning.

## Our communities

Our strategy is to target investment at both a national and local level – through our support for a flagship charity with nationwide coverage that directs support to where it is needed locally.

In 2009 there was continued success in raising money for Whizz-Kidz, our national charity partner supported by

Mecca Bingo and Meccabingo.com. Through the efforts and generosity of customers and employees, we beat our fundraising target and raised a total of £516,000 for Whizz-Kidz this year. Inventive campaigns were key to this success including:

- Mobiles for Mobility – £7,000 raised through customers donating old unwanted phones;
- Currency for Kidz – foreign coin recycling scheme and
- Heels for Wheels – our shoe recycling scheme launched by Theresa May MP and supported by local football teams, the Wigan Warriors rugby league team and a number of celebrities who all donated old shoes.

This year we also worked with the public sector on two campaigns of benefit to our customers. First, Mecca Bingo clubs hosted the Department of Work and Pensions' Eyes Down for Extra Cash roadshows (to generate greater take-up of entitlements by eligible pensioners who are also Mecca customers). Second, NHS Patient roadshows took place in clubs across England to highlight the different ways that Mecca customers can access healthcare services.

# A strong position

## – The Group continues to strengthen its financial position through: –

- improving operational performance
- positive cash flow generation
- active pursuit of VAT claims
  - ongoing reduction of long-term liabilities
- value engineering the capital expenditures



**Paddy Gallagher**  
Finance director

In 2009 the Group carried out a review of its capital structure and dividend policy. Following the major operational improvements in 2009, significant growth in earnings per share and a continued reduction in Group net debt, the board has determined to resume the payment of ordinary dividends. A final dividend of 1.35 pence per share for the year 2009 has been recommended.

We plan to adopt a progressive dividend policy, taking into consideration the Group's capital investment requirements and the stability of the wider operating and economic environment. Within this context, the board intends to set dividends such that Rank achieves a dividend cover of around 3.0 times over the medium-term.

The Group's new capital structure is to target a level of around 2.5 times net debt to EBITDA over the medium-term.

## Key results – continuing operations

	2009	2008
Group revenue*	£540.0m	£522.2m
Operating profit (loss)		
– before exceptionals	£58.0m	£60.3m
– after exceptionals	£60.8m	£(9.1)m
Adjusted interest payable**	£(9.5)m	£(19.8)m
Adjusted profit before taxation	£48.5m	£40.5m
Profit (loss) before taxation		
– before exceptionals	£49.2m	£38.2m
– after exceptionals	£52.0m	£(26.1)m
Profit (loss) after taxation		
– before exceptionals	£34.9m	£25.5m
– after exceptionals	£37.9m	£(19.9)m
Adjusted earnings per share (note 9)	8.9p	7.3p
Basic earnings (loss) per share		
– before exceptionals	9.0p	6.5p
– after exceptionals	9.7p	(5.1)p
Dividend per share	1.35p	–
EBITDA	£83.9m	£86.6m
Net debt	£186.8m	£226.5m
Weighted average number of ordinary shares in issue	389.5m	389.5m

\* Group revenue is before adjustment for free bets, promotions and customer bonuses (see note 1.1.4c and note 2).

\*\* Adjusted interest payable is total net financing charge before amortisation of the equity component of the convertible bond, unwinding of discount in disposal provisions, net return on defined benefit pension asset and other financial gains or losses. Further details are provided in note 5.

## Key results

Group revenue from continuing operations rose by £17.8m, resulting from the improvements in Mecca Bingo, Top Rank España and Grosvenor Casinos, partially offset by the decrease at Rank Interactive.

Group operating profit before exceptional items was £2.3m lower than in 2008. This was largely driven by the changes to bingo and poker taxation (as outlined in the tax fact file on pages 38 to 39) and the impact of the worldwide economic recession, particularly in Spain. These have been partially offset by the benefit from cost saving actions taken in 2008/09 and operational improvements in a number of areas as outlined in the business review on pages 18 to 29.

Adjusted net interest payable of £9.5m was £10.3m lower than in 2008, which reflects substantially lower interest rates and lower net debt.

Adjusted Group profit before taxation and exceptionals of £48.5m was £8.0m higher than in 2008.

The effective tax rate on adjusted profit was 29.0% (2008: 29.9%), slightly below the continuing Group's anticipated effective tax rate of 30% to 33% as a result of prior year adjustments arising in the UK and Spain following successful resolution of a number of historical issues.

Adjusted earnings per share of 8.9p (2008: 7.3p) reflects the higher adjusted profit before taxation on an unchanged weighted average number of ordinary shares.

## Exceptional items

In order to give a full understanding of the Group's financial performance and aid comparability between periods, the Group reports certain items as exceptional to normal trading.

The key 2009 exceptional items are detailed below:

	2009 £m	2008 £m
Mecca Bingo	4.3	40.6
Top Rank España	–	(8.4)
Grosvenor Casinos	(1.5)	(2.4)
Rank Interactive	–	(2.3)
Central costs	–	(96.9)
Continuing operations	2.8	(69.4)
Discontinued operations	0.8	15.0
<b>Total*</b>	<b>3.6</b>	<b>(54.4)</b>

\* Exceptionals are shown before financing and taxation

Mecca Bingo sold one non-trading freehold property for £1.5m and the profit on disposal, net of disposal costs, totalled £1.4m; HMRC refunded £1.9m in bingo gross profits tax relating to the output VAT refund received in 2008 and £1.0m was released from onerous lease provisions following an increase in the risk free discount rate (see note 26).

Grosvenor Casinos impaired a non-operating casino licence by £1.5m following a re-evaluation of its planned use and the associated cash flows.

Exceptional items relating to discontinued businesses comprise the release of £5.0m following the expiration of an environmental warranty given at the time of sale of Deluxe Film and £4.2m additional cost in settling the Paramount legal claim.

Further details on exceptional items, including 2008 exceptionals, are provided in note 4 and on impairments in note 12 to the Group financial statements.

## Disposal provisions

At 31 December 2009, the Group held £12.4m in provisions for disposed businesses. These costs predominantly relate to outstanding insurance claims, onerous leases and costs of winding up the tax and legal affairs, where Rank remains responsible, of former Deluxe and Hard Rock companies. The timing and exact amounts of the expenditure are uncertain as it is taking longer than originally anticipated to agree the settlement of remaining liabilities, particularly in the area of taxation.

The expenditure in the period comprised:

- £1.6m on property related costs;
- £5.7m on settlement of the Paramount legal claim (including related legal and professional costs);
- £0.7m on professional support with tax investigations by a number of regulatory authorities in Europe and North America; and
- £0.5m on insurance claims.

A provision was only held for legal costs on the Paramount claim and an additional £4.2m charge was made to increase the amount of the provision up to the level of the final settlement.

As noted in exceptional items above, the Group has also released £5.0m of provisions following the expiry of an environmental warranty.

Further details are provided in note 26 to the Group financial statements.

## Cash flow and net debt

	2009 £m	2008 £m
<b>Continuing operations</b>		
Cash inflow from operations	87.3	90.2
Capital expenditure	(34.3)	(28.2)
Fixed asset disposals	1.6	5.6
<b>Operating cash inflow</b>	<b>54.6</b>	<b>67.6</b>
Acquisitions	(0.3)	(3.8)
Net cash (payments) receipts in respect of provisions and exceptional costs	(17.6)	32.3
	36.7	96.1
Interest, hedges and tax payments	(4.4)	(28.9)
Net proceeds from disposal of defined benefit pension asset	–	28.0
Other (including foreign exchange translation)	7.4	(4.8)
<b>Decrease in net debt</b>	<b>39.7</b>	<b>90.4</b>
<b>Opening net debt</b>	<b>226.5</b>	<b>316.9</b>
<b>Closing net debt</b>	<b>186.8</b>	<b>226.5</b>

At the end of December 2009, net debt was £186.8m compared with £226.5m at the end of December 2008. The net debt comprised syndicated loan facilities of £222.0m, £8.9m in fixed rate Yankee bonds, £12.7m in finance leases and £7.3m in overdrafts, partially offset by cash and cash equivalents of £64.1m.

## Financial structure and liquidity

The Group banking facilities comprise a syndicated £150.0m term loan and £250.0m multi-currency revolving credit facility, which were arranged in April 2007 and mature in April 2012. These facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to net interest payable and a maximum ratio of net debt to EBITDA, both of which are tested bi-annually at June and December. The Group fully complied with all covenants in 2009 and 2008.

In addition, the Group has uncommitted borrowing facilities of £28.0m, repayable on demand but which are available for general use.

In January 2009, the Group repaid its remaining £158.2m convertible bonds from cash and existing bank facilities, without recourse to the capital markets.

The Group's facilities are provided by a panel of banks with no single bank providing more than 10% of the facility. The Group treasury function sets counterparty limits for the lending banks with which it trades and regularly monitors their credit ratings to minimise risk of financial loss.

## Capital expenditure

	2009 £m	2008 £m
Mecca Bingo	13.0	10.8
Top Rank España	1.5	2.2
Grosvenor Casinos	15.8	9.9
Rank Interactive	3.3	4.7
Central	0.7	0.6
<b>Total</b>	<b>34.3</b>	<b>28.2</b>

Capital expenditure for Mecca Bingo comprised £5.7m on the development of the first Full House Destination clubs in Beeston, Catford and Oldbury, £1.3m on amusement machines and electronic gaming, £0.6m on smoking shelters, £2.1m on club refurbishment and the balance on minor capital works.

Grosvenor Casinos spent £4.7m on re-branding Sheffield and Bolton to G Casinos, £4.6m on new G Casinos at Dundee and Aberdeen, £1.7m on the acquisition and re-branding of Coventry to G Casino, £0.3m on the new Electric Casino in Leeds and £1.0m on the Play Points loyalty scheme programme. The balance of the expenditure was on minor capital works.

Rank Interactive spent £2.2m on website development and Top Rank España £0.6m on amusement machines and electronic gaming.

The only significant capital commitments and accruals at 31 December 2009 were £3.4m on amusement machine purchases in Mecca, £0.6m on the conversion of Sheffield to a G Casino and £0.9m on completing the conversion of Mecca Oldbury to the Full House Destination concept.

In light of the challenging economic conditions, the Group continues to maintain strict control over committing expenditure to capital projects. Although we anticipate 2010 capital investment to be in the order of £40m to 45m, expenditure will be phased and dependent on operating performance and the success of the Mecca Full House conversions. This will allow quick reductions in the overall level of capital expenditure should business conditions deteriorate. The commitments

to the 2010 G Casino conversions at Newcastle and Brighton and the Mecca Full House conversions at Aberdeen and Oldbury are not affected by this policy.

## Financial risk

The Group's financial risk management strategy focuses on the minimisation of risks for the Group. The Group's funding, foreign exchange, liquidity, counterparty and interest rate risks are managed by the Group's treasury department in accordance with approved policies and are subject to internal audit review. All significant financing transactions and treasury policies are authorised by the board of directors. Implementation of these policies is closely managed by the finance director and the group treasury manager. The treasury function is not run as a profit centre.

The key financial risks impacting the Group are liquidity risk, interest rate risk and credit risk. In addition, the Group hedges its material exposures to foreign currency translation risk through the use of foreign currency borrowings.

### i) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Quarterly cash flow forecasts are prepared that identify the requirements of the Group and these are regularly updated to ensure sufficient financial headroom exists for at least 12 months. This is coupled with a regular review of medium-term funding requirements which, in particular, are updated alongside the Group's strategic plan process. The Group negotiated new medium-term facilities in 2007, as noted above, which mitigate the liquidity risk it may face.

### ii) Interest rate risk

The Group primarily finances itself through syndicated bank facilities and the public debt market. The bank facilities are multi-currency although borrowings are typically drawn in Sterling and euros at floating interest rates. The Group currently has only \$14.3m of public bonds outstanding, which mature in 2018. The Group normally uses interest rate swaps, caps and collars to manage its exposure to interest rate fluctuations and at the end of December 9% of the Group's borrowings were at fixed rates. Group policy is to maintain between 40% and 60% of its borrowing at fixed rates. The current low interest rates combined

with the high cost of moving to fixed rates have led the Group to operate outside this policy for the time being.

### iii) Credit risk

Credit risk is the risk that a counterparty may not be able to settle amounts owing in full, when due. Surplus cash is invested in short-term financial instruments using a limited number of financial institutions with strong credit ratings. Counterparty credit ratings are reviewed regularly and credit limits set to avoid significant concentration of risk with any one counterparty.

## Going concern

In adopting the going concern basis for preparing the financial statements the directors have considered the issues impacting the Group during 2009 as detailed in the business review above and have reviewed the Group's projected compliance with its banking covenants detailed above. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.



Paddy Gallagher  
Finance director  
24 February 2010

# Tax fact file

## – Taxation –

*Rank made a significant contribution to the British economy in 2009 through tax and employment, as well as benefiting the economies of Spain, Belgium and Alderney through businesses based or operating in those territories*

Great Britain is Rank's principal market. Our bingo clubs and casinos in England, Scotland and Wales account for more than 80% of Group revenue and operating profit (before central costs).

The Group's businesses generated £146.8m (2008: £150.2m) for the Exchequer and local government in VAT, gaming taxes, income tax, National Insurance contributions and local business rates. The broader impact of Rank's operations, including taxes paid by supplier companies and the economic consequences of providing employment to more than 7,000 people in the UK, is harder to quantify but no less significant.

In 2009, the amount of VAT and gambling duties generated by Mecca Bingo and Grosvenor Casinos was 5% lower than in 2008, while aggregate revenue from the two businesses (excluding the two Belgian casinos) rose by 4%. We paid 22% of our gross revenue across to central government in VAT and gaming taxes (2008: 24%). The marginal reduction results from the temporary lower rate of VAT and bingo income no longer being liable to VAT.

### Changes to gaming taxation

During 2009 there were a number of changes to UK gaming taxation, with increases for bingo, casino card room games (e.g. poker) and gaming machines.

The rate for bingo was increased from 15% to 22% and the application of VAT was rescinded (see details on Linneweber claims below). The net effect of these two changes caused an increase in taxation for the licensed bingo clubs industry. After intensive lobbying by the Bingo Association, HM Treasury announced in its 2009 Pre-Budget Report that it would amend the rate to 20% from the time of the 2010 Budget.

The other change in the 2009 Budget was the inclusion of card room games within the casino gaming duty regime and the removal of VAT. This change meant that in some cases the taxation of card room games migrated from a 15% rate of VAT to a 50% rate of gaming duty.

Lastly, the rates of Amusement Machine Licence Duty ('AMLD') were increased by approximately 9%. Rates of gaming taxation at February 2010 are shown in the table on page 39.

### Gaming taxes in 2010

In addition to the changes to gaming taxation in 2009, HM Treasury consulted on a "tax neutral" restructuring of the duty regime for gaming machines. While no final decision has yet been announced, the Government has proposed the replacement of AMLD and VAT with a single rate of duty. Rank participated in the consultation process, stating that the rate of duty would need to be set at 15% in order to achieve neutrality.

In response to the increasingly volatile nature of the way that the industry is taxed, Rank has proposed a root and branch reform of gaming taxation. In a submission to HM Treasury, DCMS and the shadow teams, Rank has proposed that the current patchwork quilt of gambling taxes be replaced with a single rate of duty. The submission, which was prepared with the assistance of Ernst & Young LLP, suggests that a single rate of duty would generate more sustainable income for the Exchequer, reduce administration costs and provide greater support for the Government's social policies.

Rank's submissions to HM Treasury are available from [www.rank.com](http://www.rank.com).

### Effective tax rate

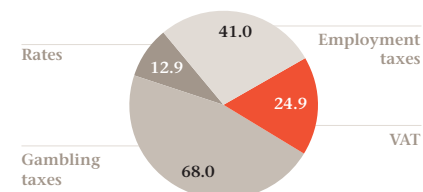
The Group's effective corporation tax rate is 29.0% (2008: 29.9%) based on a tax charge of £14.0m on adjusted profit before taxation and exceptionals of £48.5m. This is lower than the anticipated effective tax rate of 30% to 33% as a result of prior year adjustments arising in the UK and Spain following the successful resolution of a number of historical issues. The effective tax rate is expected to increase to around 30% in 2010. Further details on the taxation charge are provided in note 6.

### Cash tax rate

The Group had a number of tax refunds in the year, resulting in an effective cash tax rate of – 8.9% on adjusted profit. A refund was received in the Netherlands as a result of the carry-back of losses

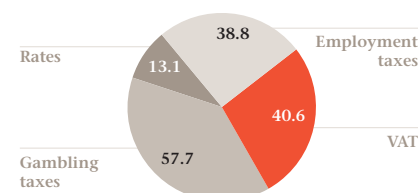
### Tax generated 2009

£146.8m



### Tax generated 2008

£150.2m



which arose on the liquidation of a subsidiary. Tax refunds were also received in the UK and US following the successful resolution of historical issues. The Group is expected to have a cash tax rate of around 5% in 2010, excluding any tax payable on the resolution of a number of legacy or exceptional issues.

### VAT and fiscal neutrality

Rank has submitted a number of claims to HMRC for overpaid VAT. These claims have their basis in the European Union's principle of fiscal neutrality, which ensures that similar products and services are taxed consistently.

The complex nature of UK gambling taxes (see page 13, 'Responsible, fair and sustainable taxation') has given rise to a number of instances where the principle of fiscal neutrality was not being applied in the taxation of bingo and amusement machines.

#### Linneweber

In 2005, the European Court of Justice (ECJ) ruled that in the case of Linneweber, the inconsistent application of VAT to amusement machines, depending on their location, constituted a breach of fiscal neutrality. Based upon this ruling, Rank has submitted a number of claims for historic VAT paid on products where exemptions have existed for similar products.

#### Interval bingo

Prior to April 2009, HMRC adopted an inconsistent approach to the taxation of

games of interval bingo with VAT being applied to some but not all games. Rank has argued that this constituted a breach of fiscal neutrality and thus submitted a claim for VAT paid on revenues from interval bingo between January 2003 and December 2005. This claim was updated to June 2008, at which point Rank, following a ruling in its favour by the VAT & Duties Tribunal, elected to stop paying VAT on interval bingo.

Value of claim: £59.1m plus interest  
Status: Tribunal ruling upheld by High Court; claim paid by HMRC November 2008 and interest of £6.8m paid in July 2009; decision appealed to the Court of Appeal.

#### Main stage bingo

Prior to 2009, Rank has argued that the taxation of main stage bingo also constituted a breach of fiscal neutrality and submitted a claim for VAT paid on revenues from main stage bingo between 2004 and 2008. This claim was updated to April 2009, at which point bingo revenues were made exempt from VAT.

Value of claim: up to £16m plus interest  
Status: in December 2009, HMRC announced that rulings on interval bingo would apply equally to main stage bingo; Rank has requested payment from HMRC.

#### Amusement machines

Prior to December 2005, HMRC adopted an inconsistent approach to the taxation of amusement machines, with revenue from certain categories of machine being subject to VAT while other categories were exempt. Rank has argued this constituted a breach of fiscal neutrality and submitted a claim for VAT paid on revenues from amusement machines between 2002 and 2005.

Value of claim: up to £26m plus interest  
Status: Tribunal ruling upheld by High Court; payment requested in January 2010; HMRC has appealed the decision to the Court of Appeal.

#### Conde Nast/Fleming

In 1997, HMRC introduced a three-year retrospective cap on claims for overpaid VAT. The effectiveness of this cap was successfully challenged in the courts (the 'Conde Nast'/'Fleming' cases). As a result, Rank was able to re-visit VAT periods up to December 1996.

Rank has submitted a series of claims for VAT overpaid, including one for interval bingo prior to 1996. HMRC has issued guidance that, subject to verification of the amount, interval bingo claims should be paid. Therefore, the Group expects to receive up to £35m in 2010, plus interest.

## UK tax regime

	Gaming duty/Gross profits tax	VAT*	AMLD (annual)
<b>Bingo</b>			
Main stage bingo	22% (20%)**	–	–
Interval bingo	22% (20%)**	–	–
Category B3 gaming machines	–	17.5%	£2,215
Category C gaming machines	–	17.5%	£830
<b>Casino</b>			
Casino games and poker	15% – £0 to £1,929k	–	–
(tax on gaming win in a six month period)	20% – £1,929k to £3,259k		
	30% – £3,259k to £5,588k		
	40% – £5,588k to £10,503k		
	50% – over £10,503k		
Category B1 gaming machines	–	17.5%	£2,815
<b>Interactive***</b>			
Sports betting	15%	–	–
Gaming (casino, bingo, poker)	15%	–	–

\* The VAT rate was 15% throughout 2009 and reverted to 17.5% on 1 January 2010.

\*\* The rate of bingo duty was increased from 15% to 22% on 30 April 2009. In the 2009 Pre-Budget Report it was announced that duty rate would reduce to 20% although the exact date of implementation in 2010 has not been published.

\*\*\* Rank's Interactive business is based offshore (Alderney, Channel Islands) and is not subject to this taxation.

The potential benefits from other claims being made under Conde Nast/Fleming principles cannot at present be estimated with certainty as they depend upon the outcome of other litigation and the validation by HMRC of certain calculations.

#### Interest

Rank is also entitled to interest on the claims above. At present, HMRC pays simple interest on repayments caused by its error. However, there is ongoing litigation that interest should be paid on a compound basis and Rank has protected its position with regard to such claims.

#### Appeals process

HMRC continues to appeal each of the

VAT claims outlined above. If HMRC were successful, Rank would be required to repay the value of the payments received to date plus interest and HMRC's costs. In April 2010, the Court of Appeal will hear HMRC's appeal on interval bingo and amusement machines. Following this hearing it is possible that these cases will be appealed to the Supreme Court and ultimately the European Court of Justice.

Details of the claims are also set out in note 36 ('Contingent assets'). The Group believes that it has a reasonable chance of success with each claim. The table below sets out the current position on the claims (excluding interest).

## VAT reclaims

Claim	Period	Amount	Status
Overpayment of output VAT on interval bingo	2003-2008	£59.1m	Money received but HMRC is appealing. Court of Appeal case to be heard in April 2010.
Overpayment of output VAT on machine income	2002-2005	as much as £26m	Tribunal ruling in Rank's favour and repayment requested from HMRC. Appeal by HMRC to be heard at Court of Appeal in April 2010.
Incorrect introduction of 3 year cap on VAT reclaims	various	not known at present	Claims lodged awaiting HMRC validation of calculations.
Overpayment of output VAT on interval bingo impacted by 3 year cap on VAT reclaims	1980-1996	as much as £35m	Claim lodged awaiting HMRC validation of calculations.
Overpayment of output VAT on main stage bingo	2004-2009	as much as £16m	Claim lodged awaiting HMRC validation of calculations.

# Board of directors

## – The Board –

*We are ultimately responsible for achieving business success through entrepreneurial leadership, prudent management and effective controls.*

**O**ur role includes agreeing strategy and objectives and making sure that the necessary financial and human resources are in place to fulfil them.

We also monitor and review the Company's financial and management performance and set the standards of conduct that shape our relationships with shareholders, employees, customers and other stakeholders.



Name: **Peter Johnson**

Title: **Chairman**

Appointment: January 2007

Age: 62

Skills and experience: Peter Johnson was non-executive chairman of Inchcape plc from 2006 until 2009 and previously chief executive of its international motors business. His former posts include sales and marketing director of the Rover Group, chief executive of the Marshall Group and non-executive director of Wates Group. He is a non-executive director of Bunzl plc.



Name: **Ian Burke**

Title: **Chief executive**

Appointment: March 2006

Age: 53

Skills and experience: Ian Burke was previously chief executive of the Holmes Place Group (the former health club operator), chief executive of Thistle Hotels plc and managing director of the bingo operator Gala Clubs.



Name: **Richard Greenhalgh**

Title: **Senior independent non-executive director**

Appointment: July 2004

Age: 65

Skills and experience: Chairman of Unilever UK between 1998 and 2004 and chairman of First Milk until 2009, Richard Greenhalgh is currently chairman of The Council for Industry and Higher Education, CARE International UK, and a member of the advisory board of Liaison Financial Services Limited. He is a fellow of Green Templeton College, Oxford.



Name: **Owen O'Donnell**

Title: **Non-executive director**

Appointment: September 2008

Age: 43

Skills and experience: Currently non-executive chairman of fanduel.com, the online fantasy sports site, Owen O'Donnell's previous appointments include chief financial officer of the online media company Joost and of the online gaming companies Betfair and King.com, director of finance and performance measurement at Pearson plc and finance director of FT.com and Extel.



Name: **Bill Shannon**

Title: **Non-executive director**

Appointment: April 2006

Age: 60

Skills and experience: Chairman of Aegon UK plc, Bill Shannon is also a non-executive director of Barratt Developments plc and Johnsons Service Group Plc and an operating partner at Tri-Artisan Partners, a private equity house. He was previously an executive director of Whitbread plc, chairman of the Gaucho Grill restaurant group and a non-executive director of Matalan plc.



Name: **Paddy Gallagher**

Title: **Finance director**

Appointment: June 2008

Age: 46

Skills and experience: A former finance director of Quadriga Worldwide Limited, Paddy Gallagher previously held senior finance positions with information technology companies Dell Corporation, Wang and Sun Microsystems.



Name: **John Warren**

Title: **Non-executive director**

Appointment: January 2006

Age: 56

Skills and experience: Formerly group finance director of WH Smith plc and United Biscuits plc and a non-executive director of RAC plc, Rexam plc, Arla UK plc and BPP Holdings Limited, John Warren currently holds non-executive directorships at Bovis Homes Group plc, Spectris plc and Uniq plc.

## Board Committees

### Remuneration:

Richard Greenhalgh (chairman)  
Owen O'Donnell  
Bill Shannon  
John Warren

### Nominations:

Peter Johnson (chairman)  
Richard Greenhalgh  
Bill Shannon  
John Warren  
Ian Burke

### Finance:

Peter Johnson (chairman)  
Ian Burke  
Paddy Gallagher

### Audit:

John Warren (chairman)  
Richard Greenhalgh  
Owen O'Donnell  
Bill Shannon

For information on our remuneration committee, please see:

p.48

For information on our nominations committee, please see:

p.43

For information on our finance committee, please see:

p.43

For information on our audit committee, please see:

p.46



## – The Executive Management –

*Our executive management team is accountable for the development and execution of strategy, for meeting targets and achieving business results.*

## Executive Management

### Mecca Bingo

Managing Director – Mark V Jones

### Grosvenor Casinos

Managing Director – Phil Urban

### Rank Interactive

Managing Director – Mark A Jones

### Top Rank España

Managing Director – Valentín Coruña

### Corporate

Chief Executive – Ian Burke

Finance Director – Paddy Gallagher

Company Secretary – Frances Bingham

Compliance & Development Director – Alan Armstrong

Human Resources Director – Sue Waldock

Strategy Director – Julian Barker

# Corporate governance

## – How we run the business –

*We are committed to making sure that the Group is well managed and that rigorous and transparent procedures allow this to happen.*

This statement explains our governance policies and practices and how we run the business for the benefit of shareholders.

Our policy is to manage the Company in line with the principles of the Combined Code on Corporate Governance ('the Code'), revised by the Financial Reporting Council ('FRC') in June 2008. We complied fully with the Code throughout the year.

### To manage the business successfully on behalf of our shareholders, we need:

- A trusting and open two-way relationship between the board and executive management.
- Policies and processes that monitor, control and continually improve our performance.
- People with the skills to reach our goals.
- A company-wide culture of responsibility and compliance.

Where appropriate we will consider the recommendations arising out of the recent Walker Review and the ongoing FRC review of the Code.

## Roles and relationships

### Your board

The board consists of:

- A non-executive chairman.
- Four independent non-executive directors.
- Two executive directors – the chief executive and finance director.

### We are responsible for:

- Group strategy, objectives and policies.
- General and long-term progress within the political, economic, environmental and social setting of the day.
- Financial performance, annual budgets and business plans.
- Major capital expenditure, acquisitions and divestments.
- Annual and half-year financial results and interim management statements.
- Annual audit and monitoring the independence of, and non-audit services supplied by, the statutory auditors.
- Board committees and their terms of reference.
- Internal controls and risk management.
- Sound governance, health and safety, and environmental policies.
- Board and company secretary appointments.
- Senior management structure, remuneration and succession.

The names and biographies of all directors are published on pages 40 and 41.

Further specific responsibilities are delegated to our four committees – remuneration, nominations, finance and audit. They report to the board and operate within defined terms of reference, which can be obtained from our website or by writing to the company secretary.

### Executive team

Our executive team is not a board committee. It is responsible for day-to-day trading and is accountable to the chief executive for promoting and developing a profitable, long-term business. The team is shown on page 41.

## Balance and independence

We believe the board's size and structure is well balanced, providing a collective competence to suit the Group's developing needs and an appropriate blend of executive and non-executive skill.

The board considers the chairman and non-executive directors to be independent and suitably qualified to help steer – and challenge – Group strategy.

The principal terms and conditions of appointment for each director are set out on page 52 and their interests in Rank shares are detailed on page 53.

### Chairman and chief executive

We have approved a clear division of responsibilities for the chairman and chief executive.

### The chairman is charged to:

- Manage the business of the board, preside over meetings and seek prompt and appropriate decisions.
- Work with the company secretary to ensure directors receive accurate and clear information for the proper execution of their duties.
- Oversee effective communication with shareholders.
- Keep the Group's progress and development under review.
- Ensure the chief executive's Group objectives, policies and strategies are consistent with lasting shareholder value.
- Evaluate the board and its committees.
- Ensure the Group's governance is effective and in line with best practice.

### The chief executive's role is to:

- Manage and promote long-term profitable development.
- Exercise stewardship of intellectual property, human and financial resources and ensure that the relevant policies are implemented.
- Plan strategy and prepare objectives and policies for board approval.
- Ensure action is taken to achieve strategies, objectives and policies, as approved by the board.
- Ensure objectives, policies and strategies are adopted for each Group business, that appropriate budgets are set for them individually, that their performance is monitored, and that guidance is given when needed.
- Take responsibility for Group health and safety policies.
- Make sure the Group complies with all relevant legislation.
- Lead ongoing communication with employees.

### Senior independent director

As senior independent director since May 2006, Richard Greenhalgh is available to talk with shareholders who have questions or concerns. He also chairs meetings when non-executive directors review the performance of the chairman.

### Appointment of directors

We have a thorough and transparent procedure for appointing new directors, supported by the formal terms of reference of the nominations committee.

The agreed terms and conditions for non-executive directors comply with the Code and are available for inspection at the Company's registered office.

All new directors must stand for election at the first annual general meeting after their appointment and, thereafter, at intervals of no more than three years. Non-executive directors are engaged for an initial period of three years and must stand for election and re-appointment in the same way.

### Board meetings

Board meetings allow for regular and frank discussion on strategy, trading, financial performance and risk management.

There were eight scheduled meetings during the year and one additional meeting to discuss a topical issue. Our meeting in June, held away from our headquarters, was devoted entirely to strategy.

The board's committees also met regularly to discharge their duties.

### Attendance

The directors' attendance at 2009 board and committee meetings is recorded in the table below.

In exceptional circumstances when a director is unable to attend a meeting, his comments on briefing papers can be given in advance to the relevant chairman.

	Board (Total 9)	Audit (Total 3)	Remuneration (Total 4)	Nominations (Total 2)	Finance (Total 14)
Peter Johnson	9	n/a	n/a	1*	14
Ian Burke	9	n/a	n/a	2	14
Paddy Gallagher	9	n/a	n/a	n/a	14
Richard Greenhalgh	8	3	4	2	n/a
Owen O'Donnell	9	3	n/a**	n/a	n/a
Bill Shannon	9	3	4	2	n/a
John Warren	9	3	4	2	n/a

\* Peter Johnson was not eligible to attend the nominations committee meeting which related to his re-appointment as chairman.

\*\* Owen O'Donnell became a member of the remuneration committee on 15 January 2010.

### Setting the agenda

A rolling programme of items sets the agenda for board discussion. This is regularly reviewed and updated to cover topical issues and developments. Comprehensive briefing papers on substantive agenda items are circulated at least five working days before meetings where possible. These contain detailed background information, so freeing valuable time for informed debate.

The core business of the board focuses on: strategy; capital expenditure; responsible operation; gaming industry issues; risk

mitigation; succession planning; and investor relations feedback. The director of strategy and the managing directors of Grosvenor, Mecca and Rank Interactive made presentations to the board at three meetings during 2009.

### Board focus 2009: succession planning

Traditionally we have tended to recruit individuals with a gaming (casino or bingo) background, but this provided a limited pool of talent. In making external appointments we have looked to the broader leisure sector to help deliver excellent customer service.

Additionally, the chief executive, HR director and Misura Consulting undertook an internal talent profile to identify high-potential managers for the future. This was presented to the board at its July meeting for discussion and debate.

### Board committees and activities

The following committees operate under the auspices of the board:

- Remuneration
- Nominations
- Finance
- Audit

Details of their membership are set out on page 41. A rolling agenda and topical items determine the committees' discussions.

### Remuneration

A separate and full remuneration review is published on pages 48 to 54.

### Nominations

The nominations committee is responsible for identifying relevant talent and nominating all board appointments. We believe it is sensible for the chairman and chief executive to sit on the committee and be fully involved in the process – except when their own re-appointment is discussed.

During 2009 the committee met formally on two occasions. It did not recommend any new board appointments during the year.

### Action 2009

Having chaired the Group through difficult times into a new phase of stability, Peter Johnson's three-year tenure was due to expire in January 2010. The committee, chaired by Richard Greenhalgh, agreed that continuity was essential and a further three-year post was approved.

### Finance

The finance committee is made up of the chairman and the two executive directors who are authorised to approve capital expenditure and make financing decisions for the Group. On behalf of the board, their role includes setting, monitoring and reporting on:

- Operating plans
- Monthly comparison of operating divisions' actual financial performance against budget
- Year-end forecasts.

During the year the committee met formally on 14 occasions.

#### Action 2009

Approved capital expenditure included:

- Conversion of Mecca Bingo sites in Catford and Oldbury to our new format, following the successful opening of Mecca Beeston.
- Acquisition of the Isle of Capri casino, Coventry, and its conversion to a G Casino.

#### Audit

A separate and full audit review is published on pages 46 to 47.

### Knowledge and performance

#### Information flow

Assisted by the company secretary, the chairman is responsible for ensuring that directors receive accurate and timely information on all relevant matters.

The directors receive a monthly report of current and forecast trading results and treasury positions, as well as updates on shareholder views.

We operate an open-door policy between the board and the executive. Members of the executive also make regular board presentations to ensure a flow of operational information reaches the directors in a timely way.

Informal dinners with management have proved an effective forum for open discussion. There were two in the year and, at the request of the board, three have been scheduled for 2010.

#### Induction

On appointment, new directors attend a comprehensive induction programme, which includes briefings on the Group's trading environment, site visits and meetings with senior management.

#### Advice and expertise

All directors have access to the advice and services of the company secretary and, if required, may take independent advice and/or professional development at the Company's expense.

#### Action 2009

Non-executive directors undertook computer-based training on problem gambling to find out how Rank trains its people to protect vulnerable people from harm.

#### Risk information

The Company's risk management reporting provides knowledge of current and emerging risks, trends and opportunities that may colour strategic decisions.

We communicate with regulators, government, non-governmental organisations and other bodies who have opinions about our business, its future and effects.

#### Listening to stakeholders

Our dialogue with stakeholders informs strategy, risk management and our corporate responsibility agenda. Among others, we were in touch with: The Gambling Commission; national charity GamCare; City analysts; Government; Auditors.

- The Gambling Commission published results of a study into gaming machines and problem gamblers in 2009. To assist the regulator's research, we provided access to some Mecca and Grosvenor clubs and their customers.
- GamCare highlighted problem gambling among employees at a conference in the year, advocating that employees should be advised of where to find impartial debt counselling. We consequently updated our existing employee policy to include the advice.
- City analysts remained concerned that increased taxation – levied on bingo in the April Budget 2009 and now proposed on gaming machines – undermines our profitability. We lobbied the Government to reassess its position from April through to the Pre-Budget Report on 9 December 2009 when the Government announced a reduction in bingo duty at the next budget. We continue to lobby them.

Our management of current and potential risk is explained fully in the audit review on pages 46 and 47.

#### Employee engagement

Performance reviews and regular engagement surveys provided regular insight into our employees' opinions and their knowledge of Group business goals. Please see page 33 of our corporate responsibility report for further information.

#### Leadership and integrity

We have an employee code of conduct that sets out our values and principles and guides everyone's behaviour. Adherence to the code is important. It upholds our reputation and relationships, inside and outside the Company.

The audit committee is responsible for monitoring management reports on employee conduct, including our whistleblowing programme.

#### Out and about in the business

The non-executive directors made a number of visits to Rank business sites to gain first-hand knowledge of day-to-day operations.

#### Relations with shareholders

We speak with institutional shareholders and city analysts through a programme of investor relations and regular meetings with principal shareholders.

All directors receive reports to keep them in touch with shareholder opinion. During the year, a total of 52 meetings of shareholders and city analysts were attended by one or more of the chairman, chief executive and finance director. Formal briefings on shareholder opinion are circulated after presentation of the Company's interim and annual results.

## Board evaluation

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The board makes sure that the chairman has enough time to devote to his job. During the year we were unanimously satisfied that Peter Johnson's other commitments had no material impact on the execution of his duties.

To monitor overall board performance, we use questionnaires between the chairman and each director to evaluate individuals, the committees and the board as a whole.

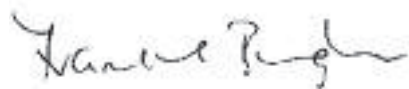
The chairman's performance is evaluated through a confidential questionnaire, completed by all non-executive and executive directors. The non-executive directors held their annual meeting to appraise the chairman's effectiveness in January 2010.

At least once a year, the chairman holds a meeting solely with non-executive directors to consider the performance of executive directors. This meeting took place in January 2010.

We have reviewed the questionnaire reports and are agreed that:

- The board functioned effectively during 2009.
- Its committees continued to discharge their duties in line with their respective terms of reference.

By order of the board



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Frances Bingham  
Company Secretary  
24 February 2010

# Accountability and audit

## – Effective control of the business –

*The audit committee assists the board in reviewing the integrity of financial information, reviewing and maintaining internal controls, and managing risk.*

### Role of the audit committee

This accountability and audit review has been prepared on behalf of the board by the audit committee.

The committee's duties include assessing the integrity of all public financial statements before their submission to the board, ensuring we present a fair assessment of the Group's ongoing position and prospects.

Any changes in accounting policies are authorised by the committee, which also reviews the objectivity and effectiveness of our external auditors every year.

The committee additionally oversees the Company's internal code of conduct and monitors our whistle-blowing programme through which employees may – in confidence – raise concerns about possible improprieties in areas of financial reporting, financial control and other ethical matters.

### Membership and meetings

Members of the audit committee are listed on page 41. The board is satisfied that, taken as a whole, the committee has recent and relevant financial experience.

The chairman, chief executive, finance director, company secretary and financial controller normally attend committee meetings, as do the external auditors.

### Audit committee activity

In 2009 the committee examined the effectiveness of the Group's approach to:

- Assessment of risk – by reviewing evidence of current and emerging risk.
- Internal control – by approving the internal audit plan and reviewing its findings, reviewing the annual and interim financial statements and reviewing the reports of the external auditors.
- Action plans to address any failings or weaknesses of internal control.
- Action plans to manage significant risks.

This process has been in place during the year and up to the date of approval of the Annual Report and Financial Statements. It has been reviewed by the board and meets the Internal Control Guidance for directors contained within the Combined Code of the Financial Reporting Council.

The committee met formally three times in the year. Its terms of reference are available from the Company's website, or by writing to the company secretary.

### Culture and environment

We oversee a culture of strong control and risk management. This is reflected in:

- Directors' methods of enforcing control, some of which were established through Rank's historical activities in the USA and the requirement to comply with the Sarbanes-Oxley Act 2002.
- Management style and philosophy.
- Dedicated teams for compliance and internal audit.
- Rank's organisational structure and clear lines of accountability, authority and responsibility.

### Improved information flow

Following 2008's audit committee evaluation, the committee resolved to have more dialogue with the Group's internal audit function.

The head of internal audit now makes regular presentations to the committee and reporting includes comparative and trend analysis.

To embed control further, the scores used by internal audit to monitor each business unit's reporting performance are considered as part of operational executives' appraisals and, for 2009, determined part of our casino operational executives' bonus payments. From 2010 this will be extended to apply to Mecca operational executives' bonus payments.

### Compliance

Compliance affects our reputation, legal position and financial sustainability. We are responsible for compliance across the Group and for ensuring that all Rank businesses meet local legal and regulatory requirements.

Compliance with the Gambling Act 2005 (and its forerunner, the Gaming Act 1968) is fundamental to the survival of Rank's businesses, creating a heavily compliant culture within the Company.

A dedicated compliance team of 17 employees monitors day-to-day adherence to the provisions of the Act and other regulatory obligations.

Senior executives, the internal audit team and our external auditors are responsible for monitoring overall compliance. They report to the audit committee and the board.

### Internal control and risk management

To maintain control and direction over strategic, financial, operational and compliance issues, the board has put in place formally defined lines of responsibility and delegation of authority.

Established procedures are geared to identify, evaluate and manage significant risks and to monitor the Group's businesses and performance.

This framework is reviewed annually and is designed to safeguard shareholders' investments and the Group's assets, while ensuring that proper accounting records are maintained. Senior management is responsible for making sure that controls and procedures are enforced and that the board is informed of any risks and control issues that arise.

**Financial control:** there is a comprehensive system for reporting financial results to the board, a budgeting process, an approved budget and quarterly re-forecasts. The chief executive and finance director hold monthly review meetings with managing directors and their respective heads of finance.

**Financial reporting control:** detailed policies and procedures are in place to ensure the accuracy and reliability of financial reporting.

**Strategic control:** the board reviews the Group's strategic plans annually and regularly reviews progress.

**Operational control:** our procedures are laid down in detailed manuals and reinforced by employee training. Each business unit carries out a monthly self-audit to test key controls and report weaknesses to operational management.

**Communication control:** the executive directors and senior management meet regularly with representatives from the businesses to address financial, human resource, risk management and other control issues.

Our system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and provides reasonable, not absolute, assurance against material misstatement or loss. It controls, rather than eliminates, any human error, deliberate misconduct or unforeseen events.

## Risk assessment

Management of risk relies on effective internal controls and the flow of information from management and the Company's internal and external auditors.

The process is reviewed by the audit committee and monitored regularly by the chief executive, supported by the company secretary.

At quarterly intervals, senior managers from each business area are required to:

- Identify the risks to their business plans.
- Evaluate the risks, using likelihood and impact.
- Document the actions being taken to manage those risks.

The company secretary documents the findings and these are reported to the executive committee every quarter and to the audit committee once a year.

## Principal risks and uncertainties

The table on page 14 summarises our principal risks identified from management's most recent internal workshop and during subsequent risk management discussions, their impact and the mitigation actions undertaken during 2009.

## Information and independence

### Internal audit

Our internal audit team provides an objective and continuous stream of data and opinion on risk management and control. To avoid bias, it is entirely independent of the business operations under audit.

The team is responsible for a systematic appraisal of our adherence to policies and procedures. Its role is to safeguard Rank's assets and interests from loss, including fraud, and to ensure the integrity of financial information.

### Relations with external auditors

Our auditors are employed to express an opinion on the truth and fairness of our financial statements. They review the systems of internal financial control and the data contained in the financial statements to the extent necessary to express an opinion.

#### Up to date

The committee is regularly updated on accounting and legislative changes through briefing papers from the finance director and others.

They discuss with management the reporting of operational results and the financial position of the Group, and present findings to the audit committee.

We are not aware of any relevant information that has not been made available to the auditors and each director has taken steps to be aware of all such information and to ensure it is available to the Company's auditors.

The audit committee oversees the nature and amount of any non-audit work undertaken by the auditors to ensure they remain independent. Consequently, the committee is required to approve all non-audit services above the value of £50,000 in advance. Our policy is to invite competitive tenders when appropriate.

Details of the year's fees paid to PricewaterhouseCoopers LLP (PwC) are set out in note 3 to the Group financial statements. When seeking external accountancy advice in relation to non-audit matters, it is Rank's policy to balance the need to maintain auditor independence with the desirability of taking advice from the leading firm in the area of advice being taken and the desirability of being efficient (for example, where legacy issues are involved). The majority of non-audit work in respect of which PwC was engaged to advise relates to legacy issues arising from disposed businesses in relation to which either PwC is the leading firm in the area of advice being taken and/or the audit committee considered it to be most efficient and appropriate.

### Auditor assessment

The committee meets with the auditors twice a year in a closed session without executive directors to assess the objectivity and accuracy of financial reporting.

It also reviews the external audit process and the auditor's performance at least annually, providing feedback to the auditors from management assessments.

### Auditor appointment

PricewaterhouseCoopers LLP (PwC) has audited the Group's accounts since 1996 so the board agreed unanimously that it was appropriate to put the 2010 audit out to tender. A tender process was approved in July 2009 and several firms were invited to take part, including PwC.

Following presentations by two short-listed firms, on the recommendation of the audit committee, the board is proposing that Ernst & Young LLP be appointed as auditors at a remuneration to be agreed by the audit committee. A resolution to that effect will be put to the forthcoming annual general meeting.

### Assurance

The internal audit and external auditors presented their findings to the committee in February, July and December. We confirm that action plans to remedy identified weaknesses in internal control and risk management have been in place throughout the year.

PricewaterhouseCoopers LLP's audit report is published on page 58.

## Committee evaluation

The audit committee's performance was assessed by questionnaire to members and other executives who have dealings with the committee in December 2009. The board concluded that the committee continues to function effectively.



John Warren  
Chairman of the audit committee  
24 February 2010

# Remuneration report

## From the chairman of the remuneration committee

### Dear stakeholder

One important duty to our shareholders is to be very clear about how we reward our most senior people.

Our goal is to run a successful company and to maximise shareholder value through profit growth, but we can only do this with qualified, knowledgeable and committed people.

We must attract, retain and motivate a mix of talented people who can run the day-to-day business and deliver our strategy and performance targets.

At times of economic pressure, it's even more vital that executive remuneration is appropriate and clearly reasoned, not least because shareholders rightly seek assurance of our integrity and effectiveness.

In the past three years, the Group has restructured to secure our long-term future in the gaming market. Combined with the economic downturn, this has influenced our performance and, consequently, shareholder returns, employee pay in general and directors' emoluments.

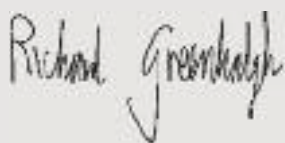
In this context, chief executive Ian Burke took the personal decision to defer a mid-2008 bonus payment and to recommend to the committee that he have no pay increase until a review in January 2010. He and finance director Paddy Gallagher have since recommended that they should have no pay rise in 2010 as well.

In 2007 the remuneration committee agreed to employ a new and absolute link between executive performance and long-term incentive plans. With the help of our independent advisors, we now use an 'earnings per share' target to calculate performance and additionally take account of the FTSE 350 'total shareholder return' to decide whether awards will vest or not.

The key remuneration issues facing the committee in 2009 were as follows:

- Long-term incentives for 2010 and beyond
- Executive pay review 2010
- Design of 2010 bonus scheme
- Long term incentive plan award targets for 2009

We are committed to reporting openly and I invite you to find out how the board reached its decisions in the following review.



Richard Greenhalgh  
Senior independent director  
24 February 2010

## – Rewarding talent and performance –

*We are committed to setting out reward schemes that tie executive remuneration directly to the achievement of targets whilst meeting the interests and expectations of our shareholders.*

This report has been prepared on behalf of the board by the remuneration committee, under the chairmanship of our senior independent director.

In all its dealings, the committee has applied the principles of good governance as set out in the Combined Code on Corporate Governance and has complied with Regulation 11 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the Regulations').

Our external auditors are required to report to shareholders on the audited information contained at the end of this report and to state whether, in their opinion, it has been prepared in accordance with the Regulations.

A resolution to approve this remuneration report will be proposed at the annual general meeting on 22 April 2010. A summary of the directors' total emoluments 2009 is set out in Table 1, page 53.

## Scope and policy

The remuneration committee assists the board in setting the salary, benefits and employment packages for the Company's chairman, executive directors, the executive committee and others who report to the chief executive.

The committee regularly reviews the Company's remuneration policies and practices, as well as the structure and size of rewards, so that the Company is well placed to employ people of quality to meet our goals – now and in the future.

### Our approach

Our policy is to agree levels of remuneration that attract, retain and motivate high-calibre executives, without paying more than necessary.

We believe that a properly set up remuneration committee is central to establishing policies that maintain this equilibrium.

### Committee matters

The names and biographies of all committee members are published on pages 40 and 41.

The committee met four times during the year to discuss a rolling agenda of substantive and topical items. There were no absentees.

By invitation, the chairman, chief executive, human resources director and the company secretary attend and contribute to committee meetings, but are not present at discussions about their own remuneration.

The committee's formal terms of reference are available on our website, or by written request to the company secretary.

#### Committee agenda 2009

- Develop a new executive long-term incentive strategy to replace the current long-term incentive plan, which expires on 27 April 2010 – taking into account the now closed executive share option scheme.
- Consider 2010 executive pay reviews – taking account of pay and employment conditions elsewhere in the Group.
- Determine 2009 LTIP award targets.
- Plan the structure of future performance-related executive bonus schemes.

#### External advice

Independent consultants Watson Wyatt (now Towers Watson) were appointed in 2006 to advise on remuneration issues and on the granting and vesting of share-based incentive arrangements. During 2009 they assisted the committee in devising a new long-term incentive plan for senior executives in addition to providing general advice to the committee. Watson Wyatt have not provided any other services to the Group during 2009.

#### Pay and benefits for non-executive directors

The chairman and non-executive directors receive fees only and do not participate in the Company's bonus, share, pension or long-term incentive plans.

Fees are set at a level to reflect the time and commitment they bring to their roles and to attract and retain relevant skills and experience.

##### Chairman

The chairman's fee of £150,000 has not increased since 1 January 2007. He also receives a travel expense allowance of £10,000.

##### Non-executive fees

The chairman and executive directors determine fees for non-executive directors. They are as follows:

• Basic annual fee	£38,000
• Audit committee chair	£8,500
• Remuneration committee chair	£7,500
• Senior independent director	£2,500

The directors' remuneration table on page 53 shows fees paid during the year to each non-executive director. These have not increased since January 2006.

##### 2010 non-executive fees

Chairman and non-executive directors' fee increases for 2010

were considered at meetings in December, after a report from our remuneration advisors. It was agreed that there would be no increases to fees paid to either the chairman or the non-executive directors, but that the position would be reviewed in 12 months.

#### Executive performance and remuneration

##### Pay and benefits

The committee's role is to agree levels of pay and benefits for executive directors that are in the interests of shareholders and akin to similar-sized companies.

We believe that performance-related pay should make up a significant element of the executive remuneration package and that, with executive shareholding requirements, this is the most appropriate way to motivate and reward people for meeting our short- and long-term goals.

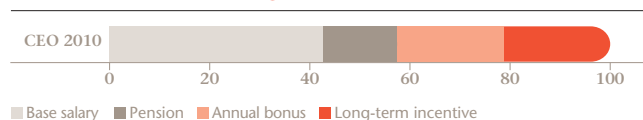
##### Remuneration package

Key components of the executive remuneration package are:

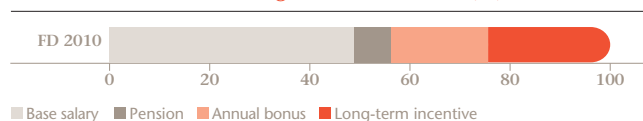
- Base salary
- Pension and other benefits
- Annual cash bonus
- Long-term incentives

The following charts show the fixed and variable elements of the remuneration package for the executive directors in 2010 assuming target bonus and expected value levels of remuneration are achieved:

##### Chief executive 2010 target remuneration (%)



##### Finance director 2010 target remuneration (%)



##### 1. Base salary

Base salaries are set broadly in line with the market norm (median levels) and our independent remuneration consultants provide data on the salary levels of comparator groups, taking into account our sector, scale and area of operations.

When agreeing individual base salaries, the committee considers: comparable salary levels, individual performance, Group performance and across-the-board employee pay trends.

Base salary is normally reviewed annually and any increase awarded from 1 January. However, the restructuring of the Company, combined with the economic downturn, saw a trading decline in late 2007 and a decision was made to defer the 2008 review for executive directors and members of the executive committee.

Following a marked performance upturn during the first half of 2008, a pay increase was implemented on 1 July 2008, with the proviso that a further review would not take place until January 2010.

At his own instigation, chief executive Ian Burke was excluded from the 1 July 2008 pay review and his next salary review scheduled to be effective from 1 January 2010. Our finance director Paddy Gallagher, who joined the Company in June 2008, was also excluded. Both recommended to the committee that they receive a nil increase in 2010 and the committee accepted the recommendation.

#### 2010 pay review

In view of the UK economic situation, the board decided that – with a few exceptions that bring pay into line with the market – there would be no across-the-board employee increase on 1 January 2010.

The pay freeze includes the chief executive, whose last increase was 3% in January 2007, and the finance director, who has not had a pay increase since joining the Company in June 2008.

## 2. Pension and other benefits

Directors' benefits are defined by market levels and include disability and health insurance, life assurance and a car, or car allowance.

Additionally:

- Ian Burke receives a Company contribution of 35% of base salary to his Self-Invested Pension Plan (SIPP).
- Paddy Gallagher received a cash supplement of 15% of base salary in lieu of pension provision which ceased on 31 March 2009. From 1 April 2009 he joined the Group's Stakeholder Pension Plan and now receives a Company pension contribution of 15% of base salary less the statutory 'Lower Earnings Limit'.

## 3. Annual cash bonus

We operate an annual cash bonus scheme to reward executive directors for successfully achieving strategic goals and stretching financial targets. A maximum bonus can be triggered by performance gains significantly in excess of target.

	Target bonus opportunity (percentage of base salary)	Maximum bonus opportunity (percentage of base salary)
Chief executive	50%	100%
Finance director	40%	80%

### 2009 bonus

Profitability remained the executive team's main focus, with Group operating profit the sole bonus measure for the chief executive and finance director.

No bonuses are paid for below target performance and maximum bonus opportunity is set at a stretching 120% of target. The outcome for 2009 was achievement of 69.5% and 55.5% of base salary, respectively for each of the chief executive and finance director. Payments are detailed in the summary of total directors' emoluments for the year – Table 1, page 53.

Operational executive committee members have as their primary measure operating profit targets relating to their specific business unit. This applies to 75% of the total bonus opportunity with the balance based on a secondary Group profit measure. The bonus potential for the executive team as a whole was 40% of base salary for target achievement, and 80% maximum for reaching stretch targets.

### 2010 bonus scheme

The committee has reviewed the operation of the current bonus scheme and concluded that, in the main, it remains appropriate. However, one amendment to the plan will be incorporated in 2010 to include an element relating to 'net promoter score' ('NPS'). This is an important performance indicator for the Group's businesses and, consequently, the committee concluded it was appropriate for an element of executive director and other executive committee member bonus entitlement be measured on the basis of an absolute NPS score. The committee therefore agreed that:

- Target and maximum bonus parameters would remain at 2009 levels save that, in relation to all executive committee members with the exception of the Top Rank España managing director (whose business does not yet measure NPS), an element (2.5% of target opportunity) would be measured by reference to NPS on a discrete basis; and
- No bonus would be paid below target and maximum bonus would remain at 120% of target. In determining appropriate targets in relation to profit the Company takes into account consensus market forecasts and its internal operating plan among other considerations.

## 4. Long-term incentives

### Save-as-you-earn scheme (SAYE)

The SAYE scheme previously offered to all UK employees is now lapsed, following a board review of regulatory changes in the accounting treatment of share options. All outstanding options are unlikely to be exercised.

### Executive share option scheme (ESOS)

Our shareholders agreed a board proposal to suspend grants under the ESOS at the 2007 AGM and, consequently, no grants were made in 2007, 2008 and 2009.

During the year, the committee considered the earnings per share (EPS) measures for share option grants made in 2006. For these to be exercisable, an increase in average EPS over the three-year performance period had to be in excess of the Retail Price Index (RPI).

On face value the EPS was sufficient for options to vest. However, the committee recalculated EPS on the basis of the Company's revised capital structure after Rank's March 2007 share consolidation. On that basis, as the EPS was 40% below the vesting level, it was decided that the grants should lapse.

The executive directors' interests in ESOS options are detailed in Table 2, page 54.

### Long-term incentive plans (LTIPs)

#### 2006 LTIP award

Under the terms of the 2006 LTIP, awards to executive directors and selected senior executives could vest subject to:

- Average total shareholder return (TSR) against a comparator group.
- 2% per annum growth in average EPS over a three-year period.

No vesting takes place where performance is below the midpoint of comparator companies' TSR. The committee selected the TSR criterion because of its direct link to shareholder value. The second, EPS, criterion was to ensure awards would not vest at a time of unsatisfactory financial performance.

Comparative TSR is measured and monitored by Watson Wyatt, who track changes in ordinary share prices across the period and the gross value of dividends, assuming immediate reinvestment in shares.

The committee reviewed relative TSR performance (as at 31 December 2008) at its February 2009 meeting, agreeing that no payout was appropriate and that the 2006 LTIP award would lapse.

	TSR ranking	Vesting
2006 awards	13 out of 14	NIL

#### 2007 LTIP award

In 2007 the board approved an LTIP award of shares of up to 100% of base salary for senior executive directors and agreed a new performance measure.

The grants could only vest on achievement of targeted EPS gains over a three- and four-year period, taking into account the Group's overall performance against the FTSE-350 TSR index.

The choice of absolute EPS by the committee as the new primary measure reflects in part Rank's specialist sector and few direct competitors, making the selection of a relevant comparison problematic. The selection of an absolute earnings measure was also felt as appropriate given the strategic direction to become purely a gaming business with a strong emphasis on operational efficiencies.

#### Consultation

To agree the new EPS and TSR performance criteria for the purposes of the 2007 and subsequent awards, the committee sought the views of major shareholders and institutional investment bodies such as the Association of British Insurers and Research Recommendations and Electronic Voting.

Following the year end, the committee decided that it would not be appropriate for any part of the three year 2007 LTIP award to vest. Whilst, on the basis of the EPS measure alone, 59.6% of the award was due to vest, the committee considered the Group's three-year TSR performance, relative to the FTSE-350, over the same period.

#### 2008 LTIP award

The executive directors and other selected executives were made an award of shares of up to 100% of base salary in September 2008. The grant is subject to EPS performance over three years and a review of performance against the FTSE-350 TSR index.

#### 2009 LTIP award

Targets for the 2009 award are set against a number of factors, as in 2007 and 2008, including analysts' consensus forecasts for the Rank Group, current low inflation and the impact of the 2009 Finance Act. The EPS threshold (7.5p) was set ahead of the market consensus level of 7.1p at the time of grant. Maximum vesting can be achieved at approximately 20% ahead of consensus target, which was considered a significant stretch

target by the committee. Vesting for performance at intermediate points will be pro rata.

### Active LTIP awards and targets

	2007 award	2008 award	2009 award
	3-yr (2009 EPS target)*	4-yr (2010 EPS target)	3-yr (2010 EPS target)
Award size (% of base salary)	50%	50%	100%
Minimum EPS (30% vest)**	7.8p	9.0p	6.0p
Maximum EPS (100% vest)**	10.4p	12.0p	10.0p
			8.5p

\* At its meeting in February 2010, the committee determined that no part of this award would vest.

\*\* Vesting is on a pro rata basis for performance between minimum and maximum.

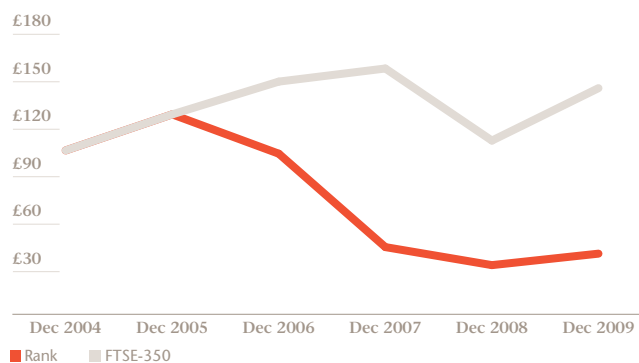
\*\*\* One member of the executive committee was awarded 75% to account for joining Rank shortly after the making of the 2008 award.

The executive directors' interests in the LTIP are detailed on Table 3, page 54.

### Rank's 5-year TSR performance

The Company's TSR performance (shown in red on the chart below) compared with the FTSE-350 index (excluding investment companies) for the five years to 31 December 2009 is shown below. The committee has selected this index as the Company was a constituent of the FTSE-350 for the majority of this period.

#### Value of hypothetical £100 holding



#### 2010 LTIP

At the 2010 annual general meeting the board will propose new long-term incentive arrangements to replace the 2005 LTIP which expires in April 2010.

The committee is proposing to replace the 2005 LTIP, with an umbrella plan ('the New Plan') full details of which are set out in the AGM circular. The New Plan will enable the committee to provide a variety of awards including shares and options utilising new, treasury and/or existing shares. The committee believes the benefits of such an approach are:

- Flexibility to respond to different markets and changing circumstances by tailoring awards without the need to introduce new plans.
- Ensuring consistency across plans in provisions such as good/bad leaver treatment and administrative efficiency.

In summary the changes being made are:

- Introduce a new umbrella plan to give the committee the flexibility to make awards of shares (conditional, forfeitable or nil cost), options, including approved options; SARs, payable in cash and/or shares
- Provide for a maximum award of up to 150% of base salary (200% in exceptional circumstances) subject to an agreed exchange ratio to account for the value of different instruments
- Provide flexibility for the committee to determine financial targets for awards to be made in 2010 onwards.

As the board is of the view that current arrangements are operating relatively well, initial awards under the New Plan will be primarily in the form of performance shares.

However, in recognition of the UK tax changes in 2010, the committee wishes to incorporate an HMRC tax approved share option plan to grant options, within the tax allowable limit of £30,000, for each eligible participant. These may form the first part of awards under the New Plan for eligible participants.

Participants will include executive directors, other executive committee members and other selected key individuals and the maximum individual award is unlikely to exceed 100% of base salary.

EPS will be maintained as the primary performance condition with the committee taking into account total shareholder return over the performance period, against the FTSE-350 when determining vesting.

These proposals have been developed following a full review of incentive arrangements undertaken by the remuneration committee and have been subject to consultation with the Group's major shareholders.

## Terms of appointment

### Chairman

Peter Johnson entered a contract with the Company to become chairman on 1 March 2007, for an initial period of three years. His appointment was extended for three years with effect from 1 January 2010 (see page 43). Either party can terminate the appointment on three months' notice without liability for compensation.

### Non-executive directors

All non-executive directors have letters of appointment with the Company for an initial three-year term, terminable on three months' notice by either party without liability for compensation. Their dates of appointment are as follows:

Richard Greenhalgh  
John Warren  
Bill Shannon  
Owen O'Donnell

### Date first appointed

1 July 2004  
1 January 2006  
3 April 2006  
11 September 2008

### Executive directors

The Company's policy is that executive directors' contractual notice periods should normally not exceed 12 months. Ian Burke and Paddy Gallagher have one-year notice periods.

Any compensation payment made as a consequence of an executive director leaving the Company is subject to remuneration committee approval, the terms of the contract and the reasons for the termination.

Except where stipulated in a contract, severance payments are usually limited to the payment of un-worked contractual notice, comprising base salary and a cash payment for fixed benefits (including pension contributions).

In situations involving breach of the Company's policies and dismissal, either a reduced payment or no payment will be made. Depending on the circumstances, the executive may be entitled to exercise outstanding share options or long-term incentive grants, subject to the rules of the relevant plan.

### External appointments

Executive directors are permitted to accept one external appointment in a non-executive capacity and to retain any fees received, provided there are no conflicts of interest or time. We recognise that this can broaden the knowledge and experience of executive directors to the benefit of Rank.

Neither Ian Burke nor Paddy Gallagher currently holds any non-executive directorships.

## Directors' shareholdings

### Chairman

The chairman is expected to acquire a sizeable shareholding in the Company during the course of his appointment.

### Non-executive directors

Until 1 January 2009, non-executive directors were required to use 30% of their base net fees (after tax) to purchase ordinary shares in the Company at quarterly intervals. These had to be retained throughout their tenure of service.

While non-executive directors are no longer required to do so, at the date of this report all non-executive directors were continuing to purchase shares in this way.

## Summary board contract terms and annual fees/salaries 2009

	Appointment date	Notice period	Base fee/salary	Committee chair fee	SID fee	Allowance	Current annual fee/salary
<b>Chairman</b>							
Peter Johnson	01 Mar 2007	3 months	£150,000	–	–	£10,000	£160,000
<b>Executive directors</b>							
Ian Burke	06 Mar 2006	12 months	£525,000	–	–	–	£525,000
Paddy Gallagher	02 Jun 2008	12 months	£300,000	–	–	–	£300,000
<b>Non-executive directors</b>							
Richard Greenhalgh	01 Jul 2004	3 months	£38,000	£7,500	£2,500	–	£48,000
Owen O'Donnell	11 Sep 2008	3 months	£38,000	–	–	–	£38,000
Bill Shannon	03 Apr 2006	3 months	£38,000	–	–	–	£38,000
John Warren	01 Jan 2006	3 months	£38,000	£8,500	–	–	£46,500

## Executive directors

Our guidelines for executive shareholding are set as a percentage of base salary. All executives are allowed five years from appointment to build up this level of share ownership.

### Rank's shareholding guidelines

	(% of base salary)
Chief executive	150%
Finance director	100%
Executive committee (others)	50%

## Directors' shareholdings 2009-2010

Name	Ordinary 13%p shares as at 31 December 2009 and as at 24 February 2010	Ordinary 13%p shares as at 1 January 2009
<b>Chairman</b>		
Peter Johnson	48,334	45,000
<b>Executive directors</b>		
Ian Burke	160,553	75,553
Paddy Gallagher	160,000	–
<b>Non-executive directors</b>		
Richard Greenhalgh	30,511	19,816
Owen O'Donnell	11,674	1,902
Bill Shannon	28,976	21,200
John Warren	38,517	26,328

## Other share disclosures

The Rank Group Employee Benefit Trust holds shares to satisfy the vesting of Long Term Incentive Plan awards.

Executive directors are deemed to have an interest in the ordinary shares of the Company held by the Trust. As at each of 1 January 2009, 31 December 2009 and the date of this report, the Trust held 1,059,826 ordinary 13%p shares.

Periodically, an estimate is made of the awards likely to vest in future and shares are purchased for that purpose.

## Remuneration committee evaluation

The committee's performance was assessed via confidential questionnaires with committee members and other individuals who support its work. Results were then reviewed by the committee chairman and discussed with the board.

The board agreed that the committee continued to perform effectively.

## Audited information

### Table 1 : Directors' remuneration summary

The detailed emoluments received by the directors for 2009 are shown below with the annual rate of base pay from 1 January 2010:

	Base salary/ base fees £000	Committee Chairman's fees £000	Benefits £000	Expense allowances (including car allowance) £000	Annual Bonus £000	SIPP/DC Pension/Salary Supplement £000	Termination Benefits £000	Total emoluments		Annual rate of basic pay from 01 Jan 2010 £000
								Total 2009 £000	Total 2008 £000	
Chairman:										
Peter Johnson	150	–	–	10	–	–	–	160	160	150
Executive directors:										
Ian Burke <sup>1</sup>	525	–	17	19	365	184	–	1,110	1,096	525
Paddy Gallagher <sup>2</sup>	300	–	6	13	167	44	–	530	284	300
Peter Gill <sup>3</sup>	–	–	–	–	–	–	112	112	724	–
Non-executive directors:										
Richard Greenhalgh	38	10	–	–	–	–	–	48	48	38
Bill Shannon	38	–	–	–	–	–	–	38	38	38
John Warren	38	9	–	–	–	–	–	47	47	38
Owen O'Donnell <sup>4</sup>	38	–	–	–	–	–	–	38	12	38
Total	1,127	19	23	42	532	228	112	2,083	2,409	1,127

### Notes:

1 The Company makes a contribution of 35% of base salary to Ian Burke's SIPP.

2 Paddy Gallagher joined as finance director on 2 June 2008.

3 Peter Gill left the Company on 1 June 2008. From 2 June 2008 to 1 March 2009 he received a monthly payment equivalent to one twelfth of his annual base salary plus fixed benefits. Thereafter he received a payment of £26,307 to cover the balance of his notice period to 1 June 2009 at a rate of £8,769 per month.

4 Owen O'Donnell joined as a non-executive director on 11 September 2008.

5 In addition to the above, the widow of John Garrett, a former executive director, received £37,658 (2008: £34,539) in respect of an unfunded pension obligation.

**Table 2: Executive directors' interests in options**

	Scheme	Date of grant	Exercise price (p)	Number at 01 Jan 2009	Number granted during 2009	Number (lapsed) during 2009	Number at 31 Dec 2009	Performance period ending 31 Dec (maximum)	Earliest exercise date	Exercise period end date
Ian Burke	ESOS	10 Mar 2006	237.58	429,328	–	(429,328)	–	2008	10 Mar 2009	09 Mar 2016
	SAYE	03 Oct 2007	139.00	6,906	–	–	6,906	–	01 Dec 2010	31 May 2011
Paddy Gallagher	–	–	–	–	–	–	–	–	–	–
Peter Gill <sup>1</sup>	ESOS	10 Mar 2006	237.58	101,119	–	(101,119)	–	2008	10 Mar 2009	09 Mar 2016

**Notes:**

<sup>1</sup> Peter Gill left the Company on 1 June 2008.

The market value of an ordinary share was 83.05p at 31 December 2009. During the year the highest market value of an ordinary share was 94.4p and the lowest was 58.25p. No share options were exercised by directors in 2009.

The board suspended normal grants under the "ESOS" during 2007 and no future grants will be made.

**Table 3: Executive directors' interests in the long-term incentive plan**

	Plan	Date of award	Market price at award (p)	Market price at release (p)	Number at 01 Jan 2009	Number awarded during 2009	Number (vested) during 2009	Number (lapsed) during 2009	Number at 31 Dec 2009	Status/Performance period ending 31 Dec
Ian Burke	LTIP	10 Mar 2006	236.00	–	216,101	–	–	(216,101)	–	2008
	LTIP	15 May 2007	195.50	–	134,271	–	–	–	134,271	2009 <sup>2</sup>
	LTIP	15 May 2007	195.50	–	134,271	–	–	–	134,271	2010
	LTIP	10 Sep 2008	78.75	–	667,047	–	–	–	667,047	2010
	LTIP	02 Sep 2009	77.75	–	–	337,813	–	–	337,813	2011
Paddy Gallagher	LTIP	10 Sep 2008	78.75	–	380,952	–	–	–	380,952	2010
	LTIP	02 Sep 2009	77.75	–	–	192,926	–	–	192,926	2011
Peter Gill <sup>1</sup>	LTIP	10 Mar 2006	236.00	–	92,542	–	–	(92,542)	–	2008
	LTIP	15 May 2007	195.50	–	95,887	–	–	–	95,887	2009 <sup>2</sup>
	LTIP	15 May 2007	195.50	–	95,887	–	–	–	95,887	2010

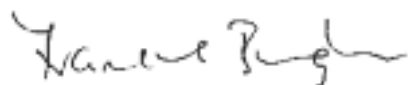
**Notes:**

<sup>1</sup> Peter Gill left the Company on 1 June 2008.

<sup>2</sup> At its meeting in February 2010, the committee determined that the award would not vest. For further information please see page 51 of the remuneration report.

No variation was made to the terms of any LTIP awards during the year.

By order of the board



Frances Bingham  
Company Secretary  
24 February 2010

# Statutory information

## Principal activities

The Rank Group Plc is the holding company of the Rank group of companies. A detailed review of our activities and the development and likely future developments of the businesses are reported on pages 6 to 29.

## Business review

The Companies Act 2006 requires us to set out a fair review of the business of the Group during the financial year ended 31 December 2009, including an analysis of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as the 'Business Review').

The information fulfilling the Business Review requirements can be found here, and in the following main sections of the Annual Report:

Chairman's foreword page 4  
Chief executive's review page 6  
Strategy statement page 8  
Key performance indicators page 9  
Principal risks and uncertainties page 14  
Operating review pages 16 to 29  
Responsible operation report page 30  
Finance review page 35

All information in these sections is incorporated by reference and deemed to form part of our corporate governance disclosures.

## Treasury matters

### Profit and dividend

Details of the Company's profit for the year, together with the board's recommendation with regard to the payment of a final dividend, can be found on pages 2 and 5. Subject to shareholder approval at the annual general meeting, the final dividend will be paid on 5 May 2010 to those shareholders whose names are on the register on 6 April 2010. The Company is no longer operating a dividend re-investment plan and, unless otherwise advised, payment of future dividends will be made as a cash sum either by cheque or directly to your nominated bank account.

### Directors' interests

Details of directors' interests in the shares and the share incentive plans of the Company are contained in our remuneration report on pages 53 and 54.

### Directors' insurance and indemnity

The Company has arranged insurance cover and indemnity in respect of legal action against its directors to the extent permitted by English law.

Directors' insurance cover and indemnity do not provide cover in situations where a director has acted fraudulently or dishonestly.

### Share capital

The Company's authorised share capital at 31 December 2009 was £180m, divided into 1,296,000,000 ordinary shares of 13 8/9p each. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. There were 390,529,314 shares in issue at the year end, which were held by 20,224 shareholders.

Holders of ordinary shares are entitled to receive the Company's report and accounts, to attend and speak at general meetings, to exercise voting rights, and to appoint proxies.

### Issuing of new shares

The Company currently has no shareholder authority to allot and grant rights over any proportion of the unissued share capital, nor does it have shareholders' authority to allot and grant rights over ordinary shares without first making a pro rata offer to all existing ordinary shareholders.

### Market purchases of own shares

The Company currently has no shareholder authority to make market purchases of its own shares.

### Significant shareholders to date

The following interests of 3% or more of the total voting rights attached to ordinary shares have been notified to the Company in accordance with the Financial Services Authority's Disclosure and Transparency Rules.

Date last notified	Shareholder	% held	Voting rights
17.11.2009	Hong Leong Co. (Malaysia) Berhad	29.02%	113,313,388
07.02.2008	Genting Berhad	11.03%	43,092,136
15.02.2010	BlackRock, Inc.*	4.92%	19,238,527
12.10.2009	Prudential Plc	4.80%	18,752,489
24.11.2008	Legal & General Group plc	3.99%	15,602,161
26.01.2009	Barclays PLC*	3.09%	12,066,989
23.10.2009	Aviva plc	3.02%	11,805,912

\* On 1 December 2009, the business of Barclays Global Investors ("BGI") was acquired by BlackRock, Inc. ("BlackRock"). The combined holdings of BlackRock and BGI are shown within BlackRock's holding and BGI's holding is shown again separately under Barclays PLC in the table.

### Change of control

Our principal loan term and credit facility agreement contains a provision that, on a change of control of Rank, immediate repayment can be demanded of all advances and any accrued interest.

We have arrangements with one employee to provide compensation for loss of employment in the event of a change of control at Rank, should no suitable role be offered by a new owner.

The provisions of the Company's share schemes and incentive plans may cause options and awards granted to employees to vest in the event of a takeover.

A change of control may also affect licences to operate, as specified in the provisions of the Gambling Act 2005, the Alderney eGambling Regulations 2009 and the Belgian Games of Chance Act 1999.

### Charitable donations

In 2009 we made, or committed, charitable donations in the UK of £315k (2008: £264k), of which the largest was £267k (2008: £258k) to the Responsibility in Gaming Trust (now known as The GREaT Foundation).

Further information can be found in the corporate responsibility section of this report, pages 30 to 34.

**Political donations**

We made no political donations during the year.

**Contractual arrangements**

We assess and record any risks in our dealings with major suppliers as part of the Group's overall risk management process. Contingency plans are in place to deal with events should key supply arrangements be terminated without due warning.

Our procurement team also reviews the financial health of our main suppliers. We have concluded that, while unexpected termination of any of the Group's major contractors would be disruptive, it would not have a severe adverse effect.

**Creditor payment policy**

The Company and its individual businesses agree terms and conditions for business transactions with their respective suppliers. Payments are made to suppliers once they have met these terms and conditions.

The Company has no trade creditors.

**Powers and provisions****Directors' powers**

Subject to legislation, the directors may exercise all the powers permitted by the Company's memorandum and articles of association. A copy of these can be obtained by writing to the company secretary, or from Companies House.

The articles contain provisions to empower the directors on certain specific matters, including:

- Appointment of directors, subject to subsequent shareholder approval.
- Delegation of powers to a director, secretary or committee of one or more persons.
- The Company's powers to borrow money.
- The ability of a director to vote on matters in which he has an interest.

Changes to the Company's articles of association can only be made by a resolution passed by a majority of no less than 75% of shareholders. Shareholder approval will be sought at the 2010 annual general meeting to adopt new articles of association in order to update the existing articles, primarily to reflect the implementation of the remaining provisions of the Companies Act 2006. Further details are contained in the explanatory notes to the 2010 annual general meeting circular.

**Conflicts of interest**

We have a statutory duty to avoid directors' conflicts of interest. Our articles of association permit directors to adopt a policy and procedure for managing and, if appropriate, authorising actual or potential conflicts of interest.

We review directors' conflicts of interest at least once a year. Directors are required to disclose any other new appointments before agreeing to take them on, so that any conflicts of interest can be identified and addressed. The board assesses conflicts of interest before making any new appointments.

**Employment policies**

We recognise the essential contribution of our employees. Our policy is to devote a substantial budget to train, develop and motivate employees and, in particular, to encourage high levels of employee and customer satisfaction.

**Diversity**

We believe companies benefit from having a diverse workforce and we apply equal opportunities policies when recruiting. Our

policy is to provide fair conditions for all employees, regardless of gender, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

**Health and safety**

Safety is as important to the performance of our business as it is to the well being of our people. We believe that operational excellence – customer satisfaction and financial strength – cannot be achieved without safety excellence.

We undertake to demonstrate our commitment to the safety of our people by promising to:

- uphold safety as the top priority and a core value of our business;
- maintain an effective safety management system;
- provide visible leadership to promote safety;
- provide the training and tools necessary to perform work safely; and
- guarantee all employees the freedom and power to demand safe working conditions, prevent hazards and correct deficiencies on the job.

The chief executive is the main board director responsible for health and safety throughout the Group. Rank has in place a health and safety policy including a statement of intent which is reviewed and signed by the chief executive on an annual basis. The policy and associated health and safety arrangements apply to all Rank's businesses (UK and overseas). The business managing directors are responsible for the implementation of the safety management systems across their individual businesses. Designated responsible personnel are identified and responsible for maintaining safety management systems to ensure legal compliance and reflecting best practice and advising line management on how to implement such systems.

Satisfactory employee consultation processes are in place and the board is regularly informed of health and safety issues and controls.

**Financial statements and disclosure**

We are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements of the Group and the Company, in accordance with the law. To prepare our Financial Statements, we are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Confirm that the Financial Statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union.
- Prepare the Financial Statements for both the Company and the Group on the going concern basis, unless it is appropriate to presume that the Group will not continue in business, in which case there should be supporting assumptions or qualifications.

Company law requires us to prepare Financial Statements for each financial year. The Financial Statements must give a true and fair view of the state of affairs of the Company and the Group and of profit or loss for the period.

We confirm that we have complied with all of the above.

**Accounting records**

We must keep proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and ensure that the Financial

Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and – for the Group financial statements – Article 4 of the International Accounting Standard (IAS) Regulation.

We are also accountable for safeguarding the assets of the Company and the Group and, therefore, for taking reasonable steps to prevent and detect fraud and other irregularities.

The maintenance and integrity of Rank's corporate website, on which this Annual Report and Financial Statements are published, is the board's responsibility. We would draw attention to the fact that legislation in the UK on the preparation and publication of Financial Statements may differ from that in other jurisdictions.

#### **Going concern**

The Company's going concern statement can be found on page 37.

#### **Shareholder communications**

The principal method of communicating with our shareholders is via our corporate website ([www.rank.com](http://www.rank.com)). Information can be provided in paper format but only when shareholders specifically request this.

Shareholders may also use electronic means to vote – or appoint a proxy to vote on their behalf – at the annual and other general meetings of the Company.

#### **Annual general meeting (AGM)**

All shareholders are welcome to attend our AGM. Private investors are encouraged to ask questions following a summary business presentation of the Group's results and development plans.

The chairman and chief executive and chairmen of the audit, remuneration, finance and nominations committees are all present.

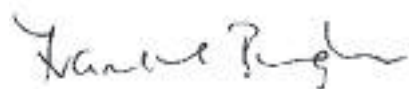
Shareholders are invited to vote on the formal resolutions contained in the Notice of Meeting, which is published at least 20 days beforehand. The business presentation, voting results and a summary of the questions and answers are made available at [www.rank.com](http://www.rank.com), or in printed format on request.

#### **Next AGM**

The 2010 annual general meeting will be held on 22 April 2010 and the full text of the Notice of Meeting, together with explanatory notes, is set out in a separate document at: [www.rank.com/investors/shareholder\\_centre.jsp](http://www.rank.com/investors/shareholder_centre.jsp).

If you have elected for paper information, this will be enclosed with your hard copy of this annual report. Shareholders wishing to change that election may do so at any time by contacting the Company's registrar (contact details are on the inside back cover of this report and on our website at the address above).

By order of the board



Frances Bingham  
Company Secretary  
24 February 2010

# *Independent auditors' report to the members of The Rank Group Plc*

We have audited the Group and parent company financial statements of The Rank Group Plc for the year ended 31 December 2009 which comprise the Group income statement, the Group and parent company Balance Sheets, the Group Statement of Comprehensive Income, the Group and parent company Cash Flow Statements, the Group and parent company Statements of Changes in Equity, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 56 and 57, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009 and of the Group's profit, and the Group's and parent company's cash flows for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 37, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

John Ellis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH  
24 February 2010

# This year's accounts

## Group income statement

for the year ended 31 December 2009

	Note	2009			2008 (restated)*		
		Before exceptional items £m	Exceptional items (note 4) £m	Total £m	Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations							
Revenue before adjustment for free bets, promotions and customer bonuses	2	540.0	–	540.0	522.2	–	522.2
Free bets, promotions and customer bonuses	2	(19.5)	–	(19.5)	(16.8)	–	(16.8)
Revenue	2	520.5	–	520.5	505.4	–	505.4
Cost of sales	2	(278.4)	–	(278.4)	(259.8)	–	(259.8)
Gross profit		242.1	–	242.1	245.6	–	245.6
Other operating costs	2	(184.1)	2.8	(181.3)	(185.3)	(69.4)	(254.7)
Group operating profit (loss)	2,3	58.0	2.8	60.8	60.3	(69.4)	(9.1)
Financing:							
– finance costs		(10.9)	–	(10.9)	(29.3)	–	(29.3)
– finance income		0.9	–	0.9	8.3	5.1	13.4
– other financial gains (losses)		1.2	–	1.2	(1.1)	–	(1.1)
Total net financing (charge) income	5	(8.8)	–	(8.8)	(22.1)	5.1	(17.0)
Profit (loss) before taxation		49.2	2.8	52.0	38.2	(64.3)	(26.1)
Taxation	6	(14.3)	0.2	(14.1)	(12.7)	18.9	6.2
Profit (loss) for the year from continuing operations		34.9	3.0	37.9	25.5	(45.4)	(19.9)
Discontinued operations		–	0.6	0.6	–	15.0	15.0
Profit (loss) for the year		34.9	3.6	38.5	25.5	(30.4)	(4.9)
Earnings (loss) per share attributable to equity shareholders							
– basic	9	9.0p	0.9p	9.9p	6.5p	(7.8)p	(1.3)p
– diluted	9	9.0p	0.9p	9.9p	6.5p	(7.8)p	(1.3)p
Earnings (loss) per share – continuing operations							
– basic	9	9.0p	0.7p	9.7p	6.5p	(11.6)p	(5.1)p
– diluted	9	9.0p	0.7p	9.7p	6.5p	(11.6)p	(5.1)p
Earnings per share – discontinued operations							
– basic	9	–	0.2p	0.2p	–	3.8p	3.8p
– diluted	9	–	0.2p	0.2p	–	3.8p	3.8p

\* Further details of the changes made to the disclosure of free bets, promotions and customer bonuses are disclosed in note 1.1.4(c).

Details of dividends paid and payable to equity shareholders are disclosed in note 8.

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

## Group statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £m	2008 £m
<b>Comprehensive income:</b>			
Profit (loss) for the year		38.5	(4.9)
<b>Other comprehensive income:</b>			
Currency translation net of tax and hedging		(3.3)	18.7
Actuarial loss on retirement benefits net of tax	33	(0.4)	(5.5)
Revaluation of available-for-sale securities recycled within net profit		–	0.6
<b>Total comprehensive income for the year</b>		<b>34.8</b>	<b>8.9</b>

The tax effect of items of comprehensive income is disclosed in note 6.

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

## Balance sheets

at 31 December 2009

	Note	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	10	178.0	183.2	–	–
Property, plant and equipment	11	187.5	179.6	–	–
Investments in subsidiaries	13	–	–	1,026.3	1,026.3
Deferred tax assets	24	23.5	43.3	–	–
Trade and other receivables	16	2.1	1.9	–	–
		391.1	408.0	1,026.3	1,026.3
<b>Current assets</b>					
Inventories	15	3.7	3.8	–	–
Trade and other receivables	16	26.0	34.3	43.6	43.6
Income tax receivable	18	0.4	3.9	–	–
Derivative financial instruments	21	–	11.2	–	–
Cash and cash equivalents	29	64.1	111.7	–	–
		94.2	164.9	43.6	43.6
<b>Total assets</b>		485.3	572.9	1,069.9	1,069.9
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	17	(105.9)	(111.9)	(752.7)	(564.8)
Income tax payable	18	(26.3)	(6.6)	–	–
Financial liabilities					
– financial guarantees	19	–	–	(1.4)	(1.0)
– borrowings	20	(7.8)	(168.9)	–	(160.7)
– derivative financial instruments	21	–	(14.5)	–	–
Provisions for other liabilities and charges	26	(9.0)	(13.0)	–	–
		(149.0)	(314.9)	(754.1)	(726.5)
<b>Net current liabilities</b>		(54.8)	(150.0)	(710.5)	(682.9)
<b>Non-current liabilities</b>					
Financial liabilities					
– borrowings	20	(242.3)	(170.9)	–	–
Deferred tax liabilities	24	(6.3)	(6.9)	–	–
Other non-current liabilities	25	(18.8)	(38.8)	–	–
Provisions for other liabilities and charges	26	(34.6)	(43.3)	–	–
Retirement benefit obligations	33	(2.9)	(2.5)	–	–
		(304.9)	(262.4)	–	–
<b>Total liabilities</b>		(453.9)	(577.3)	(754.1)	(726.5)
<b>Net assets (liabilities)</b>		31.4	(4.4)	315.8	343.4
<b>Capital and reserves attributable to the Company's equity shareholders</b>					
Share capital	27	54.2	54.2	54.2	54.2
Share premium		98.2	98.2	98.2	98.2
Capital redemption reserve		33.4	33.4	33.4	33.4
Exchange translation reserve		15.1	18.4	–	–
Equity component of convertible bond		–	0.3	–	0.3
Retained (losses) earnings		(169.5)	(208.9)	130.0	157.3
<b>Total shareholders' equity (deficit)</b>		31.4	(4.4)	315.8	343.4

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

These financial statements were approved by the board on 24 February 2010 and signed on its behalf by:

Ian Burke,  
Chief executive

Paddy Gallagher,  
Finance director

## Statement of changes in equity

for the year ended 31 December 2009

### Group

	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Fair value reserve £m	Equity component of convertible bond £m	Retained losses £m	Total £m
<b>At 1 January 2008</b>	54.2	98.2	33.4	(0.3)	(0.6)	3.9	(202.1)	(13.3)
<b>Comprehensive income:</b>								
Loss for the year	–	–	–	–	–	(3.6)	(1.3)	(4.9)
<b>Other comprehensive income:</b>								
Exchange adjustments net of tax	–	–	–	18.7	–	–	–	18.7
Actuarial loss on retirement benefits net of tax	–	–	–	–	–	–	(5.5)	(5.5)
Revaluation of available-for-sale securities recycled within net profit	–	–	–	–	0.6	–	–	0.6
<b>Total comprehensive income (expense) for the year</b>	–	–	–	18.7	0.6	(3.6)	(6.8)	8.9
<b>At 31 December 2008</b>	54.2	98.2	33.4	18.4	–	0.3	(208.9)	(4.4)
<b>Comprehensive income:</b>								
Profit for the year	–	–	–	–	–	(0.3)	38.8	38.5
<b>Other comprehensive income:</b>								
Exchange adjustments net of tax	–	–	–	(3.3)	–	–	–	(3.3)
Actuarial loss on retirement benefits net of tax	–	–	–	–	–	–	(0.4)	(0.4)
<b>Total comprehensive income (expense) for the year</b>	–	–	–	(3.3)	–	(0.3)	38.4	34.8
<b>Transactions with owners:</b>								
Credit in respect of employee share schemes	–	–	–	–	–	–	1.0	1.0
<b>At 31 December 2009</b>	54.2	98.2	33.4	15.1	–	–	(169.5)	31.4

There were no transactions with owners in 2008.

There were no minority interests in either year.

The reserves of subsidiary undertakings have predominantly been retained to finance their businesses.

### Company

	Share capital £m	Share premium £m	Capital redemption reserve £m	Equity component of convertible bond £m	Unrealised profits £m	Retained earnings £m	Total £m
<b>At 1 January 2008</b>	54.2	98.2	33.4	3.9	159.8	345.5	695.0
Loss and total comprehensive expense for the year	–	–	–	(3.6)	(159.8)	(188.2)	(351.6)
<b>At 31 December 2008</b>	54.2	98.2	33.4	0.3	–	157.3	343.4
Loss and total comprehensive expense for the year	–	–	–	(0.3)	–	(27.7)	(28.0)
<b>Transactions with owners:</b>							
Credit in respect of employee share schemes	–	–	–	–	–	0.4	0.4
<b>At 31 December 2009</b>	54.2	98.2	33.4	–	–	130.0	315.8

There were no transactions with owners in 2008.

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

## Cash flow statements

for the year ended 31 December 2009

	Note	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
<b>Cash flows from operating activities</b>					
Cash generated from (used in) operations	28	69.7	122.5	0.1	(0.1)
Interest received		7.9	2.6	–	–
Interest paid		(11.4)	(23.8)	(3.0)	(6.5)
Tax received (paid)		4.3	(2.9)	–	–
<b>Net cash from (used in) operating activities</b>		<b>70.5</b>	<b>98.4</b>	<b>(2.9)</b>	<b>(6.6)</b>
<b>Cash flows from investing activities</b>					
Acquisition of businesses including deferred consideration	30	(0.3)	(3.8)	–	–
Net payments in respect of hedges		(5.2)	(4.8)	–	–
Net proceeds from transfer of defined benefit pension asset	4	–	28.0	–	–
Purchase of intangible assets		(3.6)	(5.4)	–	–
Purchase of property, plant and equipment		(30.7)	(22.8)	–	–
Proceeds from sale of property, plant and equipment		1.6	5.6	–	–
<b>Net cash used in investing activities</b>		<b>(38.2)</b>	<b>(3.2)</b>	<b>–</b>	<b>–</b>
<b>Cash flows from financing activities</b>					
Repayment of Sterling borrowings		(158.2)	(9.1)	(158.2)	–
Repayment of US Dollar borrowings		–	(50.8)	–	–
Repayment of syndicated facilities		(21.8)	(140.0)	–	–
Repayment of other facilities		(2.0)	–	–	–
Drawdown on syndicated facilities		101.2	140.0	–	–
Drawdown on other facilities		2.0	–	–	–
Finance lease principal payments		(0.7)	(1.2)	–	–
Amounts received from subsidiaries		–	–	161.1	6.3
<b>Net cash (used in) from financing activities</b>		<b>(79.5)</b>	<b>(61.1)</b>	<b>2.9</b>	<b>6.3</b>
<b>Effect of exchange rate changes</b>		<b>(0.8)</b>	<b>2.1</b>	<b>–</b>	<b>–</b>
<b>Net (decrease) increase in cash, cash equivalents and bank overdrafts</b>		<b>(48.0)</b>	<b>36.2</b>	<b>–</b>	<b>(0.3)</b>
Cash, cash equivalents and bank overdrafts at 1 January		104.8	68.6	–	0.3
<b>Cash, cash equivalents and bank overdrafts at 31 December</b>	29	<b>56.8</b>	<b>104.8</b>	<b>–</b>	<b>–</b>

The notes on pages 63 to 105 are an integral part of these consolidated financial statements.

## 1 General information and accounting policies

### General information

The Rank Group Plc ('the Company') and its subsidiaries (together 'the Group') operate gaming and betting services in Great Britain, Spain and Belgium and provide business services to gaming operators in a number of additional markets.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

### Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

##### 1.1.1 Statement of compliance

The consolidated financial statements of The Rank Group Plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

##### 1.1.2 Going concern

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the issues impacting the Group during 2009 as detailed in the directors' report on pages 1 to 39 and have reviewed the Group's projected compliance with its banking covenants detailed in the finance review on pages 36 and 37. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from current levels, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least the next 12 months and comply with its banking covenants.

##### 1.1.3 Accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The resulting accounting estimates will, by definition, seldom equal the actual results. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the consolidated financial statements, are set out below.

#### (a) Estimated impairment of intangible assets and property, plant and equipment

The Group tests annually whether assets that have an indefinite useful life, including goodwill and gaming licences, have suffered any impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable. Further details of the Group's accounting policy in relation to impairment are disclosed in note 1.12.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs to

sell and value in use. Estimates of fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external estate agents or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions and estimates are disclosed in note 12.

#### (b) Classification of casino licences and other gaming licences as intangible assets with an indefinite life

As disclosed in note 1.11, casino licences and other gaming licences have been classified as intangible assets with an indefinite life. This assumption is based on management's belief that there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and that each licence holds a value outside the property in which it resides. As a consequence, each licence is reviewed annually for impairment.

#### (c) Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 24.

#### (d) Income taxes

The Group is subject to income taxes in numerous jurisdictions, including jurisdictions from now discontinued operations. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amount recognised, such differences will impact in the period such determination is made.

#### (e) Provisions

Provisions are recognised in accordance with the policy disclosed in note 1.9. In calculating onerous property lease provisions, estimates are made of the discounted cash flows derived from the property and its associated operations. Estimates have also been made in determining the amount and timing of disposal provisions, including insurance and warranty claims. Further details of provisions made are disclosed in note 26.

#### (f) Retirement benefits

The present value of retirement benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of retirement benefits. Following the transfer of the Group's defined benefit plan in 2008, any such assumptions are unlikely to have a material impact for the Group going forward. Further details of assumptions made in relation to the defined benefit plan, up until its transfer, together with the Group's remaining retirement benefit obligation are disclosed in note 33.

#### (g) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. It also requires a determination of the most appropriate inputs to the model selected. Further details are outlined in note 32.

## 1 General information and accounting policies *continued*

### 1.1.4 Changes in accounting policy and disclosures (a) Standards, amendments and interpretations to existing standards adopted by the Group

The Group has adopted the following standards, amendments and interpretations to existing standards as of 1 January 2009:

- IFRS 2 Share-based payment (amendment) – Vesting conditions and cancellations
- IFRS 7 Financial instruments (amendments) – Disclosures
- IFRS 8 Operating segments
- IAS 1 Presentation of financial statements (revised)
- IAS 23 Borrowing costs (revised)
- IAS 27 Consolidated and separate financial statements (amendments) – Cost of an investment in a subsidiary, jointly controlled entity or associate
- IAS 32 Financial instruments: Presentation and IAS 1 Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (amendments)
- IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments: Recognition and measurement (amendments)
- IFRIC 13 Customer loyalty programmes
- IFRIC 14 The limit on a defined benefit pension asset, minimum funding requirements and their interaction
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation
- Improvements to IFRSs (issued May 2008)

Where the adoption of the standard, amendment or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

#### IAS 1 Presentation of financial statements (revised)

The revised standard prohibits the presentation of items of income and expense (that is, ‘non-owner changes in equity’) in the statement of changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements; an income statement and a statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. As the change in accounting policy only impacts presentational aspects, there is no impact on earnings per share.

#### IAS 23 Borrowing costs (revised)

The revised standard requires borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 to be capitalised. The Group previously recognised all borrowing costs as an expense immediately. In accordance with the transition provisions of the standard, comparative figures have not been restated. The change in accounting policy had no impact on earnings per share. The Group had no qualifying assets in 2009.

#### IFRS 2 Share-based payment (amendment)

The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment also requires that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group or Company financial statements.

#### IFRS 7 Financial instruments – Disclosures (amendments)

The amendment requires enhanced disclosures about fair value

measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy, although this has not had a significant impact on the Group.

#### IFRS 8 Operating segments

IFRS 8 replaces IAS 14 Segment reporting. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision maker. Further details of the policy are disclosed in note 1.4. Although there is no overall impact on operating profit, it has resulted in a reduction in the number of reportable segments presented. The previously reported gaming shared service segment has been allocated to operating divisions and central costs on the same basis as that used for internal reporting purposes. Costs that can be allocated on a reasonable basis are now included in the operating divisions. Unallocated costs are combined into central costs.

#### (b) Standards, amendments and interpretations to existing standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning after 1 January 2009 or later periods, but they have not been early adopted by the Group:

- IFRIC 17 Distribution of non-cash assets to owners – effective 1 July 2009
- IFRIC 18 Transfer of assets from customers – effective 31 October 2009
- IFRIC 19 Extinguishing financial liabilities with equity instruments – effective 1 July 2010
- IFRS 2 Share-based payment (amendment) – effective 1 January 2010
- IFRS 3 Business combinations (revised) – effective 1 July 2009
- IFRS 9 Financial instruments – effective 1 January 2013
- IAS 27 Consolidated and separate financial statements (revised) – effective 1 July 2009
- Improvements to IFRS (issued April 2009) – effective 1 January 2010

It is not anticipated that the adoption of the above standards, amendments and interpretations of existing standards will have a material impact on the Group or Company financial statements in the period of initial application.

#### (c) Change to revenue reporting

In previous years, the Group has reported revenue as gaming win net of VAT where applicable. This is consistent with internal information reviewed by the chief operating decision maker. However, an alternative definition of revenue has become more widely reported among betting and gaming companies. This revised definition makes a further deduction for the fair value of free bets, promotions and customer bonuses. The Group previously reported the fair value of these items as an expense in the income statement. To bring the Group in line with this revised definition of revenue, the Group has restated its 2008 comparatives. The Group continues to report internal information based on the previous definition of revenue, and therefore in accordance with IFRS 8 Operating segments, has presented a reconciliation between revenue reported internally and the revised basis disclosed in the income statement. The restatement has no impact on Group operating profit.

# 1 General information and accounting policies *continued*

The following table provides a reconciliation of the impact of the change in definition on the income statement.

	2009			2008 (restated)		
	Previous policy £m	Adjustment £m	Revised policy £m	Previous policy £m	Adjustment £m	Revised policy £m
Revenue	540.0	(19.5)	520.5	522.2	(16.8)	505.4
Cost of sales	(291.8)	13.4	(278.4)	(271.0)	11.2	(259.8)
Gross profit	248.2	(6.1)	242.1	251.2	(5.6)	245.6
Other operating costs	(187.4)	6.1	(181.3)	(260.3)	5.6	(254.7)
Group operating profit (loss)	60.8	–	60.8	(9.1)	–	(9.1)

## 1.2 Consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has no material associates or joint ventures.

## 1.3 Revenue recognition

Revenue consists of the fair value of sales of goods and services, net of VAT, rebates and discounts.

### (a) Gaming win

Revenue for casinos includes the gaming win before deduction of gaming duty. Revenue for bingo is net of prizes and VAT (where applicable) before deduction of gross profits tax. Revenue for Rank Interactive, including sports betting and interactive games, represents gross win. The fair value of free bets, promotions and customer bonuses are also deducted from all revenue streams.

Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial instruments: Recognition and measurement.

### (b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

### (c) Finance income

Interest income is recognised on a time proportion basis using the effective interest method.

## 1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team (the composition of which is disclosed on page 41) that makes strategic and operational decisions.

## 1.5 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK Sterling, which is the Company's functional and the Group's presentational currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs, except when deferred in equity where hedging criteria are met.

### (c) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing Euro rate against UK Sterling was 1.13 (2008: 1.04) and the closing US Dollar rate against UK Sterling was 1.61 (2008: 1.45);
- income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average Euro rate against UK Sterling was 1.12 (2008: 1.25) and the average US Dollar rate against UK Sterling in the year was 1.57 (2008: 1.84); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated

## 1 General information and accounting policies *continued*

as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement, net of hedging, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 1.6 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet. Impairment testing of trade receivables is described in note 1.17.

#### (b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Securities are initially recognised at fair value plus transaction costs. Subsequent changes in the fair value are recognised in equity. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

### 1.7 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised liabilities ('fair value hedge');
- (b) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction ('cash flow hedge'); or
- (c) hedges of a net investment in a foreign operation ('net investment hedge').

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also

documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through finance costs in the income statement.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the maturity of the hedged item is greater than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to both the effective and ineffective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

#### (b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity unless the hedge is of a recognised liability, in which case the gain or loss is recognised within finance costs within the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a hedged forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within operating costs.

#### (c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges of forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed.

### 1.8 Leases

Leases are tested to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into its two component parts before testing.

#### (a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified

## 1 General information and accounting policies *continued*

as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

### (b) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of lease incentives or premiums, are charged to the income statement on a straight line basis over the period of the lease.

### 1.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, taking into account the risks specific to the obligation, and discounted at a pre-tax discount rate that reflects current market assessments of the time value of money. The increase in the provision due to passage of time is recognised as a finance cost.

### (a) Onerous contracts

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous.

### (b) Provision on disposal

Following the disposal of an operation, provision is made for the estimated future costs and potential warranty claims directly attributable to the disposal.

### 1.10 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost less residual values over their estimated useful lives, as follows:

– freehold and leasehold property	50 years or their useful life if less
– refurbishment of property	five to 20 years
– fixtures, fittings, plant and equipment and others	three to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, where material, as part of the cost of that asset for which the commencement date was on or after 1 January 2009. Prior to this date, the Group recognised all borrowing costs as an expense immediately.

### 1.11 Intangible assets

#### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves.

#### (b) Computer software and other development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to 10 years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives, estimated at between three to four years.

#### (c) Casino and other gaming licences

The Group capitalises acquired casino and other gaming licences. The amount capitalised is the difference between the price paid for a property or business and the associated licence, and the fair value of a similar property or business without a licence. Management believes that licences have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

Any costs in renewing licences annually are expensed as incurred.

## 1 General information and accounting policies *continued*

### (d) Other purchased intangible assets

If acquired, the Group capitalises the costs of other intangible assets such as brands, trademarks and customer relationships. Costs incurred internally to generate these intangible assets are expensed as incurred. For business combinations occurring after 1 January 2004, purchased intangible assets are capitalised on the balance sheet at fair value on acquisition. The valuation of purchased intangible assets and determining the useful economic life involves management making assumptions and estimates, which are highly judgemental and susceptible to change. Purchased intangible assets with finite lives are amortised over their useful economic lives, estimated at three years.

### 1.12 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as exceptional income in the income statement immediately.

### 1.13 Employee benefit costs

#### (a) Pension obligations

The Group operated a defined contribution plan in 2009. Previously the Group operated both defined benefit and defined contribution plans, until the transfer of the assets and liabilities of the defined benefit plan in 2008. Further details of the transfer are given in note 33.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The amount recognised in the balance sheet in respect of the defined benefit pension plan was the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The defined benefit asset was calculated annually by independent actuaries using the projected unit credit method. The present value of the defined

benefit obligation was determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that were denominated in the currency in which the benefits were paid, and that had terms to maturity approximating to the terms of the related pension liability.

The Group recognised actuarial gains and losses immediately in the statement of comprehensive income.

Past-service costs were recognised immediately in operating profit, unless the changes to the pension plan were conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs were amortised on a straight line basis over the vesting period.

The net return or cost arising on the defined benefit pension plan was recognised in net finance costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group also has an unfunded pension commitment relating to three former executives of the Group. The amount recognised in the balance sheet in respect of the commitment is the present value of the obligation at the balance sheet date, together with adjustment for unrecognised actuarial gains or losses. The Group recognises actuarial gains and losses immediately in the statement of comprehensive income. The net interest cost arising on the commitment is recognised in net finance costs.

#### (b) Share-based compensation

The Group operates various equity-settled share-based compensation plans. The fair value of employee services, received in exchange for the grant of the options, is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### (c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

#### (d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where a past practice has created a constructive obligation.

## 1 General information and accounting policies *continued*

### 1.14 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises goods purchased for resale. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. When necessary, provision is made for obsolete and slow-moving inventories.

### 1.15 Taxation including deferred tax

Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### 1.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### 1.17 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating costs.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

### 1.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 1.19 Borrowings

Borrowings are recognised at cost, which is deemed to be materially the same as the fair value, net of transaction costs incurred. Any difference between proceeds and redemption value is recognised in the income statement using the effective interest method.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months at the balance sheet date.

The fair value of the liability portion of the convertible bond was determined on the date of issue. This amount was recorded as a liability and was held on an amortised cost basis until the redemption or maturity of the bonds. The remaining proceeds were allocated to the conversion option and were recognised in shareholders' funds. This resulted in a higher interest cost over the life of the bond as an equal and opposite amount to the equity component was amortised through the income statement as a financing cost.

### 1.20 Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares as defined by IAS 32), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 1.21 Discontinued operations and non-current assets held for sale

Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 1.22 Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the annual general meeting. Interim dividends are recognised when paid.

### 1.23 Exceptional items

The Group defines exceptional items as those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. This would include, to the extent they are material, gains or losses on the disposal of assets, impairments of the carrying value of assets and associated onerous lease provisions, costs of club closures, onerous lease provisions on vacant properties, disposal of businesses, changes in disposal provisions and VAT refunds (net of gross profits tax and associated costs) relating to previous periods.

## 2 Segmental reporting

### (a) Primary reporting format – business segments

	<i>Mecca Bingo</i>	
	<i>2009</i>	<i>2008*</i>
	<i>£m</i>	<i>£m</i>
<b>Continuing operations</b>		
Group revenue reported in internal information	233.0	227.6
Free bets, promotions and customer bonuses	(12.3)	(10.6)
<b>Segment revenue</b>	<b>220.7</b>	<b>217.0</b>
Operating profit (loss) before exceptional items	32.3	37.9
Exceptional operating profit (loss)	4.3	40.6
<b>Segment result</b>	<b>36.6</b>	<b>78.5</b>
Finance costs		
Finance income		
Other financial gains (losses)		
<b>Profit (loss) before taxation</b>		
Taxation		
<b>Profit (loss) for the year from continuing operations</b>		
<b>Assets and liabilities</b>		
Intangible assets:		
Intangible assets with indefinite useful lives	–	–
Intangible assets with finite useful lives	1.2	1.3
Property, plant and equipment	83.1	80.0
Other segment assets	13.2	20.1
<b>Segment assets</b>	<b>97.5</b>	<b>101.4</b>
Unallocated assets		
<b>Total assets</b>		
<b>Segment liabilities</b>	<b>(56.8)</b>	<b>(65.7)</b>
Unallocated liabilities		
<b>Total liabilities</b>		
<b>Net assets (liabilities)</b>		
<b>Other segment items – continuing operations</b>		
Capital expenditure	(13.0)	(10.8)
Depreciation and amortisation	10.1	10.2
Impairment losses	–	1.9
Onerous lease provision – impact of change in discount rate	(1.0)	2.8
Onerous lease provision – charge	–	4.9
Onerous lease provision – release	–	(3.5)
Share-based payment charge (credit)	0.1	–

\* The analysis of 2008 operating profit by segment has been reallocated following the implementation of IFRS 8 Operating segments. Further details are provided later in this note.

At 31 December 2009, the Group's continuing operations are organised into four main business segments: Mecca Bingo, Top Rank España, Grosvenor Casinos and Rank Interactive. The activities of the segments are described on page 2 of the business review. Costs that cannot be allocated on a reasonable basis are combined within Central costs.

There are immaterial sales between the business segments.

Segment assets include property, plant and equipment, intangible assets, inventories and trade and other receivables. Segment liabilities comprise trade and other payables, deferred consideration, provisions and retirement benefits. Unallocated assets and liabilities comprise taxation, borrowings, derivative financial instruments and cash and cash equivalents. Intangible assets with indefinite useful lives include £53.8m of goodwill relating to Rank Interactive.

Capital expenditure comprises expenditure on property, plant and equipment and other intangible assets.

<i>Top Rank España</i>		<i>Grosvenor Casinos</i>		<i>Rank Interactive</i>		<i>Central costs</i>		<i>Total</i>	
<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008*</i>	<i>2009</i>	<i>2008*</i>	<i>2009</i>	<i>2008*</i>	<i>2009</i>	<i>2008</i>
<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
36.2	35.8	220.0	206.2	50.8	52.6	–	–	540.0	522.2
–	–	(1.2)	(0.6)	(6.0)	(5.6)	–	–	(19.5)	(16.8)
<b>36.2</b>	<b>35.8</b>	<b>218.8</b>	<b>205.6</b>	<b>44.8</b>	<b>47.0</b>	<b>–</b>	<b>–</b>	<b>520.5</b>	<b>505.4</b>
5.6	6.9	30.9	25.9	7.5	7.6	(18.3)	(18.0)	58.0	60.3
–	(8.4)	(1.5)	(2.4)	–	(2.3)	–	(96.9)	2.8	(69.4)
5.6	(1.5)	29.4	23.5	7.5	5.3	(18.3)	(114.9)	60.8	(9.1)
								(10.9)	(29.3)
								0.9	13.4
								1.2	(1.1)
								52.0	(26.1)
								(14.1)	6.2
								37.9	(19.9)
21.3	22.9	94.3	97.1	53.8	53.8	–	–	169.4	173.8
–	–	0.6	0.6	5.5	6.4	1.3	1.1	8.6	9.4
29.7	33.6	71.8	63.0	2.1	1.9	0.8	1.1	187.5	179.6
2.9	3.3	9.4	10.0	3.0	2.7	3.3	3.9	31.8	40.0
53.9	59.8	176.1	170.7	64.4	64.8	5.4	6.1	397.3	402.8
								88.0	170.1
								485.3	572.9
(5.5)	(6.5)	(42.3)	(37.8)	(11.7)	(14.0)	(36.4)	(46.7)	(152.7)	(170.7)
								(301.2)	(406.6)
								(453.9)	(577.3)
								31.4	(4.4)
(1.5)	(2.2)	(15.8)	(9.9)	(3.3)	(4.7)	(0.7)	(0.6)	(34.3)	(28.2)
2.8	2.7	8.3	8.7	3.9	3.8	0.8	0.9	25.9	26.3
–	8.4	1.5	2.8	–	1.4	–	–	1.5	14.5
–	–	–	0.2	–	–	–	1.3	(1.0)	4.3
–	–	–	0.7	–	–	–	2.3	–	7.9
–	–	–	(1.2)	–	–	–	(5.8)	–	(10.5)
0.1	–	0.2	0.1	–	(0.1)	0.5	–	0.9	–

## 2 Segmental reporting *continued*

### (b) Total revenue and profit (loss) from continuing and discontinued operations

	Note	Revenue		Profit (loss) for the year	
		2009 £m	2008 (restated) £m	2009 £m	2008 £m
From continuing operations		520.5	505.4	37.9	(19.9)
From discontinued operations	4	–	–	0.6	15.0
		520.5	505.4	38.5	(4.9)

### (c) Secondary reporting format – geographical segments

The Group's business segments operate in two main geographical areas (UK and Europe). The home country of the Company is the UK. The areas of operation are principally the operation of bingo clubs, casinos and online gaming and bookmaking services.

#### i) Segment revenue from external customers by geographical area based on location of customer

	2009 £m	2008 (restated) £m
UK	467.1	453.7
Europe	53.4	51.7
<b>Total revenue</b>	<b>520.5</b>	<b>505.4</b>

#### ii) Segment assets by geographical area based on location of assets

	2009 £m	2008 £m
UK	321.4	317.6
Europe	75.9	85.2
Segment assets	397.3	402.8
Unallocated assets	88.0	170.1
<b>Total assets</b>	<b>485.3</b>	<b>572.9</b>

#### iii) Segment capital expenditure by geographical area based on location of assets

	2009 £m	2008 £m
UK	32.3	25.9
Europe	2.0	2.3
<b>Total capital expenditure</b>	<b>34.3</b>	<b>28.2</b>

With the exception of the UK and Spain, no individual country contributed more than 10% of consolidated sales or assets.

### (d) Implementation of IFRS 8 Operating segments

As detailed in note 1, the analysis of 2008 operating profit by segment has been reallocated following the implementation of IFRS 8 Operating segments. Although there is no overall impact on operating profit, the 2008 comparatives have been reallocated to be consistent with the internal information reviewed by the executive management team, with costs from the previously reported gaming shared service segment being allocated to operating divisions wherever possible. Costs that cannot be allocated on a reasonable basis are combined within Central costs.

A reconciliation from the segment result before exceptional items reported in 2008 to the reallocated 2008 comparatives, included above in the primary segmental reporting, is set out below.

	Mecca Bingo £m	Top Rank España £m	Grosvenor Casinos £m	Rank Interactive £m	Gaming shared services £m	Central costs £m	Total £m
2008 segment result before exceptional items as reported	41.8	6.9	29.5	11.4	(20.8)	(8.5)	60.3
Reallocate Gaming shared services	(3.9)	–	(3.6)	(3.8)	20.8	(9.5)	–
2008 segment result before exceptional items as reallocated	37.9	6.9	25.9	7.6	–	(18.0)	60.3

## 2 Segmental reporting continued

### (e) Total cost analysis by segment

To increase transparency, the Group has decided to provide additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before exceptional items, by type and segment is as follows:

	2009					
	Mecca Bingo £m	Top Rank España £m	Grosvenor Casinos £m	Rank Interactive £m	Central costs £m	Total £m
Employment and related costs	56.7	15.4	85.9	8.6	11.2	177.8
Taxes and duties	36.7	1.6	45.9	0.3	0.7	85.2
Direct costs	23.4	3.6	8.8	13.9	–	49.7
Property costs	26.4	2.0	16.9	0.7	0.9	46.9
Marketing	10.2	0.8	6.1	8.8	–	25.9
Depreciation and amortisation	10.1	2.8	8.3	3.9	0.8	25.9
Other	24.9	4.4	16.0	1.1	4.7	51.1
<b>Total costs before exceptional items</b>	<b>188.4</b>	<b>30.6</b>	<b>187.9</b>	<b>37.3</b>	<b>18.3</b>	<b>462.5</b>
Cost of sales						278.4
Operating costs						184.1
<b>Total costs before exceptional items</b>						<b>462.5</b>

	2008					
	Mecca Bingo £m	Top Rank España £m	Grosvenor Casinos £m	Rank Interactive £m	Central costs £m	Total £m
Employment and related costs	55.2	13.9	78.9	8.1	12.1	168.2
Taxes and duties	28.2	1.5	43.6	0.3	1.1	74.7
Direct costs	22.1	3.5	7.3	15.3	–	48.2
Property costs	26.9	1.9	16.7	0.7	0.9	47.1
Marketing	12.7	0.9	6.2	9.8	–	29.6
Depreciation and amortisation	10.2	2.7	8.7	3.8	0.9	26.3
Other	23.8	4.5	18.3	1.4	3.0	51.0
<b>Total costs before exceptional items</b>	<b>179.1</b>	<b>28.9</b>	<b>179.7</b>	<b>39.4</b>	<b>18.0</b>	<b>445.1</b>
Cost of sales						259.8
Operating costs						185.3
<b>Total costs before exceptional items</b>						<b>445.1</b>

### 3 Profit for the year – analysis by nature

The following items have been charged (credited) in arriving at the profit (loss) for the year before financing and taxation from continuing operations:

	Note	2009 £m	2008 £m
Employee benefits expense	31	167.2	157.4
Cost of inventories recognised as expense		20.5	19.0
Depreciation of property, plant and equipment	11		
– owned assets (including £19.0m (2008: £19.3m) within cost of sales)		21.0	21.6
– under finance leases (included within cost of sales)		0.7	0.8
Amortisation of intangibles (including £0.6m (2008: £0.4m) within cost of sales)	10	4.2	3.9
Operating lease rentals payable			
– minimum lease payments		40.4	37.1
– sub-lease income		(6.0)	(6.0)
Profit on sale of property, plant and equipment		(0.1)	(0.3)
Exceptional items	4	(2.8)	69.4
Auditors' remuneration for audit services		0.4	0.6

In the year, the Group's auditors, PricewaterhouseCoopers LLP, including its network firms, earned the following fees:

	2009 £m	2008 £m
Audit services		
– Fees payable to the Company's auditor for the parent company and consolidated financial statements	0.2	0.3
Other services		
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	0.2	0.3
– services relating to corporate finance transactions	–	0.2
– tax services	0.7	0.4
– other services	–	0.1
	1.1	1.3

£35,000 (2008: £43,000) of the audit fees related to the parent company.

It is the Group's policy to balance the need to maintain auditor independence with the desirability of taking advice from the leading firm in the area of advice being taken and the desirability of being efficient (for example, where legacy issues are involved).

## 4 Exceptional items

	Note	2009 £m	2008 £m
<b>Exceptional items relating to continuing operations</b>			
Loss on transfer of defined benefit pension asset		–	(99.2)
VAT refund net of gross profits tax and associated costs		1.9	42.8
Impairment charge	12	(1.5)	(14.5)
Net release (charge) to provision for onerous leases		1.0	(1.7)
Net profit on sale of property less associated closure costs		1.4	4.1
Other		–	(0.9)
Exceptional items before financing and taxation relating to continuing operations		2.8	(69.4)
Finance income		–	5.1
Taxation	6	0.2	18.9
Exceptional items relating to continuing operations		3.0	(45.4)
<b>Exceptional items relating to discontinued operations</b>			
Release from disposal provisions		5.0	15.0
Charge to disposal provisions		(4.2)	–
Taxation	6	(0.2)	–
Exceptional items relating to discontinued operations		0.6	15.0
<b>Total exceptional items</b>		<b>3.6</b>	<b>(30.4)</b>

The Group's definition of exceptional items is disclosed in note 1.23.

### 2009 exceptional items

#### Continuing operations

During 2009, the Group disposed of one previously closed Mecca Bingo property at Welling. The resulting profit on disposal of the property, net of costs, was £1.4m.

The Group also recognised an impairment charge of £1.5m against a non-operating casino licence at Liverpool. The Group continues to explore opportunities for the licence, however the directors consider that, following a prolonged period of non-operation and a re-evaluation of the planned use for the licence, an impairment of the licence is appropriate.

The increase in the discount rate used in the calculation of the onerous property lease provision resulted in a £1.0m release to the income statement.

An exceptional profit of £1.9m also arose following the partial refund of bingo gross profits tax accrued in 2008 and previously paid during 2009 in relation to the £59.1m VAT refund in 2008.

#### Discontinued operations

A provision of £5.0m for an environmental warranty given at the time of the sale of Deluxe Film was released as no subsequent claim was received and the warranty period has now expired.

In addition, a charge of £4.2m was made in relation to the settlement, and associated costs, of legal proceedings in the US brought by Paramount Home Entertainment. At the end of 2008, the Group provided for the legal costs associated with defending the claim but no provision was made for the damages claimed, which were a maximum of US\$29m. On 21 August 2009, the Group agreed to pay \$5.8m to Paramount Home Entertainment in full and final settlement of the claim, which together with the associated costs, resulted in the additional charge of £4.2m.

### 2008 exceptional items

#### Continuing operations

On 27 June 2008, the Group completed the transfer of the assets and liabilities of the Rank Pension Plan ('the Plan'), a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs).

The transfer secured the accrued benefits for the members of the Plan and removed all financial risks and liabilities in relation to the Plan from the Group.

Further details of the exceptional loss arising on the transfer are disclosed in the table below:

	2008 £m
Proceeds	29.0
Costs associated with transfer	(1.0)
Net proceeds from transfer of defined benefit pension asset	28.0
Curtailment gain on closure of scheme to future contributions	10.5
Carrying value of defined benefit pension asset at transfer	(137.7)
Exceptional loss before taxation	(99.2)
Taxation	27.8
<b>Total exceptional loss arising on transfer</b>	<b>(71.4)</b>

#### 4 Exceptional items *continued*

On 10 November 2008, the Group received £59.1m in overpaid VAT from HMRC, following the VAT and Duties Tribunal's ruling in May 2008 that the application of VAT to some games of interval bingo contravened the European Union's principle of fiscal neutrality. The exceptional gain of £42.8m represented the element of the VAT repayment relating to the period 2003 to 2007 net of associated gross profits tax and costs. HMRC appealed the ruling of the Tribunal at a High Court hearing in March 2009 but the judgement again found in favour of the Group. HMRC lodged an appeal to the Court of Appeal on 6 July 2009 and is due to be heard in April 2010. In the event of an adverse ruling, the Group would be required to repay the £59.1m plus amounts not paid over for the period from July 2008 to 26 April 2009. A contingent liability has been disclosed in note 37. Exceptional finance income of £5.1m relating to the period up until the end of 2007 was also recognised in relation to the refund. Based on legal advice received by the Group, the directors are satisfied the continued recognition of this gain is appropriate.

Further details of the exceptional gain on the VAT refund in 2008 are disclosed in the table below:

	2008 £m
Cash repayment received	59.1
Increase in gross profits tax payable	(7.8)
Costs, including contingent fees	(4.6)
Irrecoverable input VAT	(1.0)
Less element attributable to 2008	(2.9)
Exceptional gain before financing and taxation	42.8
Finance income	5.1
Taxation	(13.7)
Total exceptional gain on VAT refund	34.2

At 31 December 2008, the Group recognised additional impairments of £14.5m on intangible assets and property, plant and equipment. Further details are provided in note 12.

The net provision for onerous leases included an additional onerous lease charge of £7.9m and a £4.3m charge arising from the reduction in discount rate, net of a £10.5m onerous lease reversal.

During 2008, the Group closed one Mecca Bingo club at Swindon and one Grosvenor Casino in Leeds. The resulting profit on disposal of the Swindon property, together with the profit on two previously closed properties, net of associated closure and disposal costs, was £4.1m.

Other comprised abortive software development costs incurred by Rank Interactive.

##### **Discontinued operations**

The £15.0m gain from release of disposal provisions in 2008 consisted of two items:

On 31 December 2008, the Group settled its lease obligation in relation to its remaining plant in the US retained following the sale and closure of its Deluxe operations. The settlement represented a significant discount to the carrying value of the provision and accordingly a release of £10.0m from the disposal provision was made.

In addition, a provision of £5.0m for warranties given at the time of the sale of Hard Rock was released as no subsequent claims were received and the warranty period had expired.

## 5 Financing

	2009 £m	2008 £m
<b>Continuing operations:</b>		
Finance costs:		
Interest payable on bank borrowings (current and non-current)	(1.1)	(1.7)
Amortisation of issue costs on borrowings	(1.0)	(1.6)
Interest payable on other loans	(6.1)	(18.6)
Interest payable on finance leases	(0.9)	(1.0)
Unwinding of discount in onerous leases provisions	(1.3)	(1.6)
Unwinding of discount in disposal provisions	(0.2)	(1.2)
Amortisation of equity component of convertible bond	(0.3)	(3.6)
<b>Total finance costs</b>	<b>(10.9)</b>	<b>(29.3)</b>
Finance income:		
Interest income on short-term bank deposits	0.9	4.7
Net return on defined benefit pension asset	–	3.6
<b>Total finance income</b>	<b>0.9</b>	<b>8.3</b>
<b>Other financial gains (losses)</b>	<b>1.2</b>	<b>(1.1)</b>
<b>Total net financing cost for continuing operations before exceptional items</b>	<b>(8.8)</b>	<b>(22.1)</b>
<b>Exceptional finance income</b>	<b>–</b>	<b>5.1</b>
<b>Total net financing cost for continuing operations</b>	<b>(8.8)</b>	<b>(17.0)</b>

Further details of the exceptional finance income in 2008 are disclosed in note 4.

A reconciliation of total net financing costs to adjusted net interest included in adjusted profit is disclosed below:

	2009 £m	2008 £m
Total net financing cost for continuing operations before exceptional items	(8.8)	(22.1)
Adjust for:		
Unwinding of discount in disposal provisions	0.2	1.2
Amortisation of equity component of convertible bond	0.3	3.6
Net return on defined benefit pension asset	–	(3.6)
Other financial (gains) losses (including foreign exchange)	(1.2)	1.1
<b>Adjusted net interest payable</b>	<b>(9.5)</b>	<b>(19.8)</b>

## 6 Taxation

	2009			2008		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
<b>Current income tax</b>						
Current income tax – UK	3.1	–	3.1	(4.0)	–	(4.0)
Current income tax – overseas	(1.7)	–	(1.7)	(2.4)	–	(2.4)
<b>Current income tax credit (charge)</b>	1.4	–	1.4	(6.4)	–	(6.4)
Current income tax on exceptional items	(0.8)	1.2	0.4	(20.1)	–	(20.1)
Amounts over provided in previous year	1.3	–	1.3	2.4	–	2.4
Amounts over provided in previous year on exceptional items	0.6	–	0.6	–	–	–
<b>Total current income tax credit (charge)</b>	2.5	1.2	3.7	(24.1)	–	(24.1)
<b>Deferred tax</b>						
Deferred tax – UK	(18.7)	–	(18.7)	(6.0)	–	(6.0)
Deferred tax – overseas	(0.3)	–	(0.3)	–	–	–
Deferred tax on exceptional items	0.4	(1.4)	(1.0)	39.0	–	39.0
Amounts over (under) provided in previous year	2.0	–	2.0	(2.7)	–	(2.7)
<b>Total deferred tax (charge) credit (note 24)</b>	(16.6)	(1.4)	(18.0)	30.3	–	30.3
<b>Tax (charge) credit in the income statement</b>	(14.1)	(0.2)	(14.3)	6.2	–	6.2

The tax on the Group's profit before tax on continuing operations differs from the standard rate of UK corporation tax of 28.0% (2008: 28.5%). The differences are explained below:

	2009 £m	2008 £m
Profit (loss) before tax on continuing operations	52.0	(26.1)
Tax (charge) credit calculated at 28.0% on profit (loss) before tax on continuing operations (2008: 28.5%)	(14.6)	7.4
Effects of:		
Expenses not deductible for tax purposes	(1.4)	(0.3)
Difference in overseas tax rates	(1.9)	(1.6)
Difference in deferred tax rates	–	(0.6)
Adjustments relating to prior years	3.9	(0.3)
Utilisation of previously unrecognised tax losses	(0.3)	1.1
Deferred tax movement on fair valued assets	0.2	0.5
<b>Tax (charge) credit in the income statement on continuing operations</b>	(14.1)	6.2

### Current income tax on exceptional items

Current income tax on exceptional items in 2009 included a £0.5m tax charge on the refund of bingo gross profits tax and a £0.3m charge on the release of onerous lease provisions.

Current income tax on exceptional items in 2008 included a tax charge of £13.7m on the VAT refund received by the Group, a £7.8m tax charge on the transfer of the Group's pension scheme, a £0.3m tax credit relating to onerous leases and a £1.1m tax credit on the liquidation of an overseas subsidiary.

### Deferred tax on exceptional items

Deferred tax on exceptional items in 2009 was a £0.4m credit on the impairment of a casino licence.

Deferred tax on exceptional items in 2008 included a tax credit of £35.6m on the transfer of the Group's pension scheme and a £3.4m tax credit on the impairment of Group assets.

### Tax effect of items within other comprehensive income

	2009 £m	2008 £m
Current income tax (charge) credit on exchange movements offset in reserves	(1.9)	17.3
Deferred tax charge on exchange movements offset in reserves	(1.9)	–
Deferred tax credit on actuarial movement on retirement benefits	0.1	2.2
<b>Total tax (charge) credit on items within other comprehensive income</b>	(3.7)	19.5

## 7 Results attributable to the parent company

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The loss for the financial year for the Company was £28.0m (2008: loss of £351.6m). The loss in 2008 included an impairment of £317.3m in respect of its investment in subsidiary undertakings. Further details are provided in note 13.

## 8 Dividends

There were no dividends paid in either year. A dividend in respect of the year ended 31 December 2009 of 1.35p per share, amounting to a total dividend of £5.3m, is to be proposed at the annual general meeting on 22 April 2010. These financial statements do not reflect this dividend payable.

## 9 Earnings (loss) per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares, as defined by IAS 32 (note 27).

	2009			2008		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
<b>Profit (loss) attributable to equity shareholders</b>						
Continuing operations	£34.9m	£3.0m	£37.9m	£25.5m	£(45.4)m	£(19.9)m
Discontinued operations	–	£0.6m	£0.6m	–	£15.0m	£15.0m
<b>Total</b>	<b>£34.9m</b>	<b>£3.6m</b>	<b>£38.5m</b>	<b>£25.5m</b>	<b>£(30.4)m</b>	<b>£(4.9)m</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>389.5m</b>	<b>389.5m</b>	<b>389.5m</b>	<b>389.5m</b>	<b>389.5m</b>	<b>389.5m</b>
<b>Basic earnings (loss) per share</b>						
Continuing operations	9.0p	0.7p	9.7p	6.5p	(11.6)p	(5.1)p
Discontinued operations	–	0.2p	0.2p	–	3.8p	3.8p
<b>Total</b>	<b>9.0p</b>	<b>0.9p</b>	<b>9.9p</b>	<b>6.5p</b>	<b>(7.8)p</b>	<b>(1.3)p</b>

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. Following the redemption of the convertible debt in 2009, share options are the only remaining category of dilutive potential ordinary shares. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options. The convertible debt was not dilutive in 2008.

There is no difference in the profit (loss) or the weighted average number of shares used to determine diluted earnings per share from that used to determine basic earnings per share. Accordingly, there is no difference between diluted earnings per share and basic earnings per share disclosed above in either year.

### (c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, the net return on the defined benefit pension asset, unwinding of the discount in disposal provisions, amortisation of the equity component of the convertible bond and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

Adjusted net earnings attributable to equity shareholders is derived as follows:

	2009 £m	2008 £m
Profit (loss) attributable to equity shareholders	38.5	(4.9)
Adjust for:		
Discontinued operations (net of taxation)	(0.6)	(15.0)
Exceptional items after tax on continuing operations	(3.0)	45.4
Other financial (gains) losses	(1.2)	1.1
Net return on defined benefit pension asset	–	(3.6)
Amortisation of equity component of convertible bond	0.3	3.6
Unwinding of discount in disposal provisions	0.2	1.2
Taxation on adjusted items	0.3	0.6
<b>Adjusted net earnings attributable to equity shareholders (£m)</b>	<b>34.5</b>	<b>28.4</b>
<b>Weighted average number of ordinary shares in issue (m)</b>	<b>389.5m</b>	<b>389.5m</b>
<b>Adjusted earnings per share (p)</b>	<b>8.9p</b>	<b>7.3p</b>

## 10 Intangible assets

<i>Group</i>	<i>Note</i>	<i>Rank Interactive goodwill £m</i>	<i>Casino and other gaming licences £m</i>	<i>Other £m</i>	<i>Total £m</i>
<b>Cost</b>					
<b>At 1 January 2008</b>		53.8	115.9	27.4	197.1
Exchange adjustments		–	12.0	–	12.0
Additions		–	–	5.4	5.4
<b>At 31 December 2008</b>		53.8	127.9	32.8	214.5
Exchange adjustments		–	(3.7)	(0.1)	(3.8)
Acquisition of business	30	–	0.1	–	0.1
Additions		–	0.1	3.5	3.6
<b>At 31 December 2009</b>		53.8	124.4	36.2	214.4
<b>Aggregate amortisation and impairment</b>					
<b>At 1 January 2008</b>		–	–	18.1	18.1
Charge for the year		–	–	3.9	3.9
Impairment losses	12	–	7.9	1.4	9.3
<b>At 31 December 2008</b>		–	7.9	23.4	31.3
Exchange adjustments		–	(0.6)	–	(0.6)
Charge for the year		–	–	4.2	4.2
Impairment losses	12	–	1.5	–	1.5
<b>At 31 December 2009</b>		–	8.8	27.6	36.4
<b>Net book value at 31 December 2008</b>		53.8	120.0	9.4	183.2
<b>Net book value at 31 December 2009</b>		53.8	115.6	8.6	178.0

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally generated computer software and development technology with a net book value of £1.3m (2008: £1.3m).

Indefinite life intangible assets have been reviewed for impairment as set out in note 12.

## 11 Property, plant and equipment

Group	Note	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
<b>Cost</b>				
<b>At 1 January 2008</b>		138.5	297.3	435.8
Exchange adjustments		3.2	12.5	15.7
Additions		2.4	18.1	20.5
Disposals		(1.4)	(5.8)	(7.2)
<b>At 31 December 2008</b>		142.7	322.1	464.8
Exchange adjustments		(1.0)	(4.1)	(5.1)
Acquisition of business	30	–	0.7	0.7
Reclassification		(9.7)	9.7	–
Additions		2.3	29.8	32.1
Disposals		(0.2)	(1.1)	(1.3)
<b>At 31 December 2009</b>		134.1	357.1	491.2
<b>Accumulated depreciation</b>				
<b>At 1 January 2008</b>		64.3	192.3	256.6
Exchange adjustments		0.3	6.5	6.8
Charge for the year		3.2	19.2	22.4
Impairment losses	12	1.8	3.4	5.2
Disposals		(1.1)	(4.7)	(5.8)
<b>At 31 December 2008</b>		68.5	216.7	285.2
Exchange adjustments		(0.1)	(2.2)	(2.3)
Charge for the year		3.1	18.6	21.7
Reclassification		(0.9)	0.9	–
Disposals		–	(0.9)	(0.9)
<b>At 31 December 2009</b>		70.6	233.1	303.7
Net book value at 31 December 2008		74.2	105.4	179.6
<b>Net book value at 31 December 2009</b>		63.5	124.0	187.5

A review of property, plant and equipment in the year has resulted in a reallocation of £9.7m of assets at cost, together with associated accumulated depreciation of £0.9m, from land and buildings to fixtures, fittings, plant and machinery.

Assets capitalised under finance leases and included in land and buildings and fixtures, fittings, plant and machinery:

	2009 £m	2008 £m
Cost	19.5	19.8
Accumulated depreciation	(11.7)	(11.2)
<b>Net book value</b>	7.8	8.6

The book amounts for fixtures, fittings, plant and machinery include assets held under finance leases with a net book value of £nil (2008: £0.1m). The book amounts for land and buildings include buildings held under finance leases with a net book value of £7.8m (2008: £8.5m).

The net book value of land and buildings comprises:

	2009 £m	2008 £m
Freeholds	25.8	26.8
Long leases (over 50 years unexpired)	3.3	3.5
Short leases	34.4	43.9
<b>Net book value</b>	63.5	74.2

## 12 Impairment review

The discount rate used for all impairment reviews reflects management's estimate of the Group's pre-tax weighted average cost of capital. Management believes that the Group's weighted average cost of capital is an appropriate measure for each cash-generating unit (CGU) as they operate in gaming markets with similar risks as set out below. The pre-tax discount rate applied to all cash flow projections is 12.2% (2008: 14.1%).

### (a) Impairment review of intangible assets with indefinite lives

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. In accordance with IAS 36, goodwill is classified as an intangible asset with an indefinite life. In addition, the Group classifies casino licences and Spanish bingo licences as intangible assets with an indefinite life.

#### i) Goodwill

The Group has goodwill with a carrying value of £53.8m (2008: £53.8m) arising from the acquisition of Rank Interactive.

For impairment testing, the whole of Rank Interactive is treated as a single CGU. The recoverable amount has been determined based on a value in use calculation using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 2% thereafter. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are settled stakes, gross win margins and the discount rate. Settled stakes represent monies placed by customers for betting and interactive games and are estimated taking into account the product mix, major sporting events and industry developments. Gross win margins are based on values achieved in the past and amended for any anticipated changes in the budget period. The calculation also assumes that revenue from UK-domiciled customers is not subject to UK duty or VAT.

As a result of the impairment testing, the directors do not believe that the carrying value of the goodwill was impaired as the value in use significantly exceeded the carrying value of goodwill. However, there are possible changes which could adversely impact the key assumptions and cause the carrying value of the goodwill to exceed its recoverable amount. These include:

Possible change	Key assumption impacted
Increased or improved competition	Settled stakes, gross win margin
Poor or decreased marketing	Settled stakes
Failure to respond to technological advances	Settled stakes
Deterioration in economic environment	Settled stakes
Changes in regulation	Settled stakes, gross win margin
Changes in taxation	Gaming duty
Prolonged period of adverse sporting results	Gross win margin

Changes in settled stakes and gross win margin impact gross win and consequently the cash flow projections used to determine the recoverable amount. Any change resulting in a decrease of in excess of 45% in projected gaming win would cause the recoverable amount to equal the carrying value of the CGU.

The directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a decrease in excess of 45% in projected gaming win, and therefore cause a material impairment of the goodwill.

#### ii) Casino licences

The carrying value of casino licences as at 31 December 2009 was £94.3m (2008: £97.1m).

The inherent value of casino licences is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is therefore not split out from each Grosvenor casino in an impairment review. Each Grosvenor casino has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 2% thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Casino licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, competition and the discount rate. Customer visits are the number of discrete visits by members to the casino and have been based on historic trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by historic trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation, details of which are provided on page 39.

As a result of the impairment review, the directors do not believe the carrying value of the casino licences, with the exception of a non-operating licence at Liverpool, to be impaired. An impairment charge of £1.5m (2008: £nil) has been recognised in respect of the non-operating licence in Liverpool. Although opportunities for the licence continue to be investigated, the directors consider that, following the prolonged non-operation of the licence, an impairment of £1.5m to the licence is appropriate. However, there are possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

Possible change	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits
Deterioration in economic conditions	Customer visits, spend per visit
Changes in regulation	Customer visits, spend per visit
Changes in taxation	Casino duty

## 12 Impairment review *continued*

With the exception of a prolonged non-operation of a licence, the directors do not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of a UK casino licence. In respect of the two casino licences in Belgium, the recoverable amount equates to the carrying amount, and therefore any negative changes in the assumptions used would separately lead to an impairment. The original assumptions used in the calculation were:

	<i>Original assumption</i>
Gaming win	16.6%
Casino duty	Current rates in Belgium of between 20.0% and 50.0%
Growth rate	2.0%
Discount rate	12.2%

Customer visits and spend per visit are key components of gaming win.

### iii) Spanish bingo licences

The carrying value of Spanish bingo licences as at 31 December 2009 was £21.3m (2008: £22.9m).

The inherent value of each Spanish bingo licence is deemed to be an intrinsic part of the value of a club as a whole and is not therefore split out from the assets of each individual bingo club in an impairment review. Each individual bingo club has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount has been determined based on a value in use calculation using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 3% thereafter which reflects the long-term opportunity in Spain. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are customer visits, spend per visit and the discount rate. Customer visits are the number of discrete visits to the bingo club and have been based on recent trends. Spend per visit comprises the average amount of money (net of winnings) spent by a member on bingo games, machines and food and beverages. This has been determined by recent trends.

In 2008, the impact of the recession in Spain resulted in the carrying value of licences at four bingo clubs exceeding their estimated recoverable amount and an impairment charge of £7.9m being recognised. The 2009 impairment review indicates the carrying value of the licences of £21.3m to be appropriate. However, there are possible changes in the key assumptions that could cause further impairments. These are:

<i>Possible change</i>	<i>Key assumption impacted</i>
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits
Deterioration in economic conditions	Customer visits, spend per visit
Changes in regulation	Customer visits, spend per visit

As outlined above, each Spanish bingo licence has been tested for impairment as part of the club as a whole. Accordingly, the sensitivity of each licence to future impairments, arising from changes in the key assumptions, varies at each club. The fall in gaming win required for the recoverable amount to equal the carrying value of the club ranges between 7% and 72%.

### (b) Impairment review of property, plant and equipment

Property, plant and equipment and intangible assets are grouped into CGUs which are defined as individual clubs for Mecca Bingo, Top Rank España and Grosvenor Casinos and the whole operation for Rank Interactive.

The key assumptions and sensitivities in the impairment reviews for Rank Interactive, Casinos and Bingo are the same as outlined above for intangible assets.

The recoverable amount of each CGU, including the licence if applicable, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections from the Group's budget for 2010, the Group's strategic plan for the following two years and a growth rate of 2% thereafter (except for Top Rank España where a growth rate of 3% has been used). Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by an experienced surveyor supported by external estate agent advice or, where applicable, offers received.

Any impairment is allocated equally across all assets in a CGU unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets.

### (c) Impairment recognised during the year

Impairments of intangible assets and property, plant and equipment are recognised as an exceptional item in operating costs in the income statement. The impairments recognised during the year were as follows:

#### 2009

##### Grosvenor Casinos

As outlined above, an impairment charge of £1.5m has been recognised in relation to a non-operating casino licence at Liverpool. The licence has been subject to a prolonged period of inactivity, and although the Group continues to investigate uses for the licence, the directors believe it is appropriate to recognise an impairment of £1.5m against the carrying value of £2.0m.

#### 2008

##### Mecca Bingo

In 2008, an impairment charge of £1.9m was recognised in respect of a small number of clubs where the impact of competitor openings resulted in estimated cash flows that were lower than the carrying value of property, plant and equipment.

##### Top Rank España

In 2008, an impairment charge of £8.4m was recognised in relation to four bingo clubs where the impact of the recession in Spain resulted in estimated cash flows that were lower than the carrying value of the bingo licences, property, plant and equipment.

##### Grosvenor Casinos

In 2008, an impairment charge of £2.8m was recognised in respect of a limited number of casinos where the impact of increased competition resulted in estimated cash flows that were lower than the carrying value of property, plant and equipment.

##### Rank Interactive

In 2008, an impairment charge of £1.4m was recognised in respect of certain software development assets which had no material value in use or resale value.

### 13 Investments in subsidiaries

	<i>Company</i>	
	<i>2009 £m</i>	<i>2008 £m</i>
<b>Cost</b>		
At 1 January and 31 December	1,515.6	1,515.6
<b>Provision for impairment</b>		
At 1 January	489.3	172.0
Charge for the year	–	317.3
At 31 December	489.3	489.3
<b>Net book amount</b>	1,026.3	1,026.3

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 39.

In 2008, the significant deterioration in the economy and changes in market sentiment towards the betting and gaming industry led to a reduction in the earnings multiples used as a basis for the annual impairment review of the carrying value of the Company's investments in subsidiaries. As a result, an impairment loss of £317.3m was recognised. Following the 2009 impairment review, the directors believe the net book amount remains appropriate.

### 14 Available-for-sale financial assets

Available-for-sale financial assets comprise UK listed equity investments, which by their nature have no fixed maturity date or coupon rate. The fair value of UK listed equity investments at 31 December 2009 was £nil (2008: £nil) and has been estimated using valuation guidelines based on market prices. The prolonged decline in the fair value of the equities resulted in an impairment loss of £0.1m and cumulative fair value losses of £0.6m, previously recognised in equity, being charged to other financial losses in the income statement in 2008.

### 15 Inventories

	<i>Group</i>	
	<i>2009 £m</i>	<i>2008 £m</i>
Raw materials	0.3	0.4
Finished goods	3.4	3.4
	3.7	3.8

The Group wrote down £nil (2008: £nil) of inventories.

## 16 Trade and other receivables

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Current</b>				
Trade receivables	2.1	2.7	–	–
Less: provisions for impairment of trade receivables	(0.1)	(1.0)	–	–
Trade receivables – net	2.0	1.7	–	–
Prepayments	17.9	17.4	–	–
Other receivables	6.1	15.2	–	–
Amounts owed by subsidiary undertakings repayable on demand	–	–	43.6	43.6
	26.0	34.3	43.6	43.6
<b>Non-current</b>				
Other receivables	2.1	1.9	–	–
	2.1	1.9	–	–

### Group

The carrying values of trade receivables are assumed to approximate to their fair values due to the short-term nature of trade receivables.

As at 31 December 2009, trade receivables of £0.1m (2008: £1.0m) were impaired. The amount of the provision was £0.1m (2008: £1.0m). The ageing of these receivables is as follows:

	2009 £m	2008 £m
Up to 3 months	–	–
3 to 6 months	–	(0.1)
Over 6 months	(0.1)	(0.9)
	(0.1)	(1.0)

As at 31 December 2009, trade receivables of £0.4m (2008: £0.6m) were past due but not impaired. The ageing of these trade receivables is as follows:

	2009 £m	2008 £m
Up to 3 months	0.2	0.5
3 to 6 months	0.2	0.1
	0.4	0.6

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2009 £m	2008 £m
UK Sterling	1.9	1.6
Euro	0.1	0.1
	2.0	1.7

The movements on the Group provision for impairment of trade receivables are as follows:

	2009 £m	2008 £m
At 1 January	(1.0)	(0.9)
Exchange movement	–	(0.1)
Provision for receivables impairment	–	(0.2)
Receivables written off during the year as uncollectible	0.8	0.1
Unused amounts reversed	0.1	0.1
At 31 December	(0.1)	(1.0)

The creation and release of provision for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

### Company

The carrying value of amounts due from subsidiary undertakings is assumed to equate to their fair value as all amounts are repayable on demand. The amounts are denominated in UK Sterling and relate to subsidiary undertakings for which there is no history of default.

## 17 Trade and other payables – current

	<i>Group</i>		<i>Company</i>	
	<i>2009 £m</i>	<i>2008 £m</i>	<i>2009 £m</i>	<i>2008 £m</i>
Trade payables	16.9	16.2	–	–
Social security and other taxes	26.9	32.2	–	–
Other payables	62.1	63.5	2.0	2.0
Amounts owed to subsidiary undertakings repayable on demand	–	–	750.7	562.8
	105.9	111.9	752.7	564.8

## 18 Income tax

	<i>Group</i>	
	<i>2009 £m</i>	<i>2008 £m</i>
Income tax receivable	0.4	3.9
Income tax payable – continuing operations	(0.3)	(6.6)
Income tax payable – discontinued operations	(26.0)	–
Income tax payable	(26.3)	(6.6)
Net income tax payable	(25.9)	(2.7)

Income tax payable on discontinued operations was included in other non-current liabilities in 2008 and relates to ongoing tax exposures on discontinued operations in overseas jurisdictions and tax planning that has been challenged by the relevant tax authority. The liability represents management's current estimate of the payments that will be required to settle the various issues.

## 19 Financial guarantees

The fair value of the guarantees issued by the Company is £1.4m (2008: £1.0m). This is calculated by applying the Company's probability of default, derived from the Company's credit rating, to the 31 December 2009 drawn debt of subsidiaries guaranteed by the Company.

## 20 Borrowings

Borrowings comprise the following:

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Current</b>				
Bank overdrafts	7.3	6.9	–	–
Convertible bonds (net of unamortised facility fees and equity component)	–	158.0	–	158.0
Obligations under finance leases	0.7	0.7	–	–
Other (including accrued interest and unamortised facility fees)	(0.2)	3.3	–	2.7
	7.8	168.9	–	160.7
<b>Non-current</b>				
US Dollar Yankee bonds	8.9	9.9	–	–
Syndicated loan facilities	222.0	150.0	–	–
Obligations under finance leases	12.0	12.7	–	–
Unamortised facility fees	(0.6)	(1.7)	–	–
	242.3	170.9	–	–
<b>Total borrowings</b>	250.1	339.8	–	160.7
<b>Sterling</b>	169.2	329.9	–	160.7
<b>Euros</b>	72.0	–	–	–
<b>US Dollars</b>	8.9	9.9	–	–
<b>Total borrowings</b>	250.1	339.8	–	160.7

During the year ended 31 December 2008, convertible bonds with a par value of £9.5m were redeemed for a cost of £9.1m. The discount arising of £0.4m was recognised in other financial gains in the income statement. The remaining convertible bonds matured in January 2009 and were redeemed at par value from existing facilities. The bonds were convertible at the option of the holder into fully paid ordinary shares at £3.5167 per share. Interest was paid half yearly in January and July. The effective interest rate on the liability portion of the bond was 4.2%. None of the bonds were converted during either year.

At 31st December 2009, there were drawings of £222.0m (2008: £150.0m) on the syndicated bank facility. The facility was signed on 14 April 2007 and consists of a £150.0m term loan and £250.0m multi-currency revolving credit facility. Both the term loan and the revolving credit facility expire in April 2012. Interest is payable on a monthly basis.

Also included in borrowings is US\$14.3m (£8.9m) (2008: US\$14.3m (£9.9m)) of Yankee bonds which mature in 2018. Interest on the Yankee bonds is payable half yearly in January and July at a rate of 7.125%.

Borrowings include obligations under finance leases, of which £0.7m (2008: £0.7m) expire within one year, £0.8m (2008: £0.7m) expire between one and two years, £2.7m (2008: £2.5m) expire between two and five years, and £8.5m (2008: £9.5m) expire after five years.

The Group complied with all its covenants during the period.

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2009 £m	2008 £m	2009 £m	2008 £m
US Dollar Yankee bonds	8.9	9.9	8.7	9.6
Syndicated loan facilities	222.0	150.0	222.0	150.0
Obligations under finance leases	12.0	12.7	12.0	12.7
Unamortised facility fees	(0.6)	(1.7)	(0.6)	(1.7)
<b>Non-current</b>	242.3	170.9	242.1	170.6

### Undrawn borrowing facilities

At 31 December 2009, the Group had undrawn committed borrowing facilities available of £178.0m (2008: £250.0m) in respect of which all conditions precedent had been met at that date. These facilities expire in April 2012 and accrue interest at floating rates.

## 21 Derivative financial instruments

There were no derivative financial instruments at 31 December 2009.

	2008	
	Assets £m	Liabilities £m
Forward exchange contract – net investment hedge	8.9	(14.4)
Forward exchange contract – cash flow hedge	2.3	(0.1)
Total	11.2	(14.5)

There was no ineffectiveness to be recorded.

### Nominal values of derivative financial instruments

The nominal values of derivative financial instruments at 31 December 2008 were:

	2008	
	US\$m	€m
Forward exchange contract – net investment hedge	94.3	83.0
Forward exchange contract – cash flow hedge	25.7	–

### (a) Fair value hedge

There were no interest rate swap contracts at 31 December in either year.

In January 2008, \$100m of swaps matured. These swaps hedged the interest due on the 2008 Yankee bonds, which were payable in January and July of each year. For the year ended 31 December 2008, the gain on the fair value hedge instrument was £0.4m and the loss on the underlying 2008 Yankee bond was £0.4m.

### (b) Cash flow hedges

At 31 December 2009, the Group did not hold any instruments designated as cash flow hedges.

During the year ended 31 December 2008, the Group entered into a series of currency forwards to hedge the repayment of US Dollar debt and interest due in January 2018. The nominal value of the derivatives at 31 December 2008 was \$25.7m with a fair value of £2.2m. These instruments matured in January 2009.

### (c) Net investment hedges

The Group has hedged the translation risk on its Euro denominated assets using a Euro denominated loan. The nominal value of the loan at 31 December 2009 was €81.0m (2008: €nil), with a net fair value of £72.0m (2008: £nil). The gain on the retranslation of this borrowing was recognised in equity to offset the loss on translation of the net investment in the subsidiaries. There is no ineffectiveness for the year ending 31 December 2009.

At 31 December 2008, the Group had hedged the translation risk on its Euro denominated assets using a series of forward foreign currency contracts. The nominal value of the contracts at 31 December 2008 was €83.0m, with a net fair value of £(13.5)m.

At 31 December 2008, the Group had hedged the translation risk on its US Dollar denominated liabilities using a series of forward foreign currency contracts. The nominal value of the contracts at 31 December 2008 was \$94.3m, with a net fair value of £8.0m.

## 22 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

### Group

	Loans and receivables £m	Derivatives used for hedging £m	Total £m
<b>31 December 2009</b>			
Derivative financial instruments	–	–	–
Trade and other receivables	2.1	–	2.1
Cash and cash equivalents	64.1	–	64.1
<b>Total financial assets as per balance sheet</b>	<b>66.2</b>	<b>–</b>	<b>66.2</b>

<b>31 December 2008</b>			
Derivative financial instruments	–	11.2	11.2
Trade and other receivables	2.7	–	2.7
Cash and cash equivalents	111.7	–	111.7
<b>Total financial assets as per balance sheet</b>	<b>114.4</b>	<b>11.2</b>	<b>125.6</b>

	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
<b>31 December 2009</b>			
Borrowings	–	250.1	250.1
Trade and other payables	–	79.0	79.0
Onerous property leases	–	31.7	31.7
Lease disposal settlements	–	2.5	2.5
Derivative financial instruments	–	–	–
<b>Total financial liabilities as per balance sheet</b>	<b>–</b>	<b>363.3</b>	<b>363.3</b>

<b>31 December 2008</b>			
Borrowings	–	339.8	339.8
Trade and other payables	–	79.7	79.7
Onerous property leases	–	35.2	35.2
Lease disposal settlements	–	4.0	4.0
Derivative financial instruments	14.5	–	14.5
<b>Total financial liabilities as per balance sheet</b>	<b>14.5</b>	<b>458.7</b>	<b>473.2</b>

### Company

	Loans and receivables £m	Total £m
<b>31 December 2009</b>		
Trade and other receivables	43.6	43.6
<b>Total financial assets as per balance sheet</b>	<b>43.6</b>	<b>43.6</b>

<b>31 December 2008</b>		
Trade and other receivables	43.6	43.6
<b>Total financial assets as per balance sheet</b>	<b>43.6</b>	<b>43.6</b>

	Liabilities at fair value through profit and loss £m	Other financial liabilities £m	Total £m
<b>31 December 2009</b>			
Borrowings	–	–	–
Trade and other payables	–	752.7	752.7
Financial guarantees	1.4	–	1.4
<b>Total financial liabilities as per balance sheet</b>	<b>1.4</b>	<b>752.7</b>	<b>754.1</b>

<b>31 December 2008</b>			
Borrowings	–	160.7	160.7
Trade and other payables	–	564.8	564.8
Financial guarantees	1.0	–	1.0
<b>Total financial liabilities as per balance sheet</b>	<b>1.0</b>	<b>725.5</b>	<b>726.5</b>

## 23 Financial risk management

### Group

#### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group, where appropriate, uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### (a) Market risk

##### i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currency. Group policy is to hedge 90% of material, identified exposures.

The Group has considered movements in US Dollar and Euro over the last five years and has concluded that a 2.1% movement in US Dollar and a 3.7% movement in Euro are reasonable benchmarks.

At 31 December 2009, if the US Dollar had weakened/strengthened by 2.1% against UK Sterling, with all other variables held constant, post-tax profit for the year would have been materially unchanged (2008: £nil higher/lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated borrowings. The majority of US Dollar denominated borrowings matured in January 2008. Equity would also have been unchanged.

At 31 December 2009, if the Euro had weakened/strengthened by 3.7% against UK Sterling, with all other variables held constant, post-tax profit for the year would have been materially unchanged (2008: £nil higher/lower), mainly as a result of foreign exchange gains/losses on translation of Euro denominated cash balances.

##### ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets (excluding cash and cash equivalents), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's only interest bearing assets are cash and cash equivalents (excluding cash floats), which earn floating rate interest.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain between 40% and 60% of its borrowings in fixed rate instruments using interest rate swaps to achieve

this where necessary. However, due to the current economic climate the Group has exercised its right to operate outside policy. At 31 December 2009, 9% of the Group's debt was held in fixed rate borrowings (2008: 54%).

During 2009, the Group's borrowings at variable rate were denominated in UK Sterling and Euro (2008: UK Sterling).

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest bearing positions. Based on the simulations performed, the impact on profit or loss of a 100 basis-point shift in UK Sterling borrowings would be a maximum increase of £1.6m (2008: £1.7m) or decrease of £1.6m (2008: £1.7m), respectively. The impact on profit and loss of a 100 basis-point shift in Euro borrowings would be a maximum increase of £0.7m (2008: £nil) or decrease of £0.7m (2008: £nil), respectively.

When appropriate, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily half yearly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally, the Group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

During 2009, the group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps.

#### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables.

The Group only deals with banks and financial institutions with which they have a lending or advisory relationship. The creditworthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'A' required. An internal rating is then allocated and an individual credit limit is set in accordance with policy set by the board. Management reviews the utilisation of credit limits on a regular basis. In 2008, the Group reduced the credit limit of each of its counterparties and where necessary nil limits were introduced. These have remained in place in 2009.

The Group predominantly uses 'AAA' rated Money Market Funds when investing its surplus cash. The rating and portfolio of each fund is reviewed on at least a weekly basis. In addition to investing the Group's cash with Money Market Funds, the Group invests with lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of its counterparties.

## 23 Financial risk management *continued*

2009	Cash £m	Derivatives £m	Total £m
AAA	20.4	–	20.4
AA	14.0	–	14.0
A	1.2	–	1.2
Other	1.7	–	1.7
Cash floats	26.8	–	26.8
Cash, cash equivalents and derivative assets	64.1	–	64.1

2008	Cash £m	Derivatives £m	Total £m
AAA	47.9	–	47.9
AA	3.7	5.7	9.4
A	35.8	5.5	41.3
Other	3.4	–	3.4
Cash floats	20.9	–	20.9
Cash, cash equivalents and derivative assets	111.7	11.2	122.9

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced quarterly. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance are reviewed monthly during the month-end process to ensure sufficient financial headroom exists for at least a 12-month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A four-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages its financing requirements and the range of maturities on its debt. The Group has committed financing facilities until April 2012, of which £178.0m (2008: £250.0m) was undrawn at 31 December 2009.

The Group's core debt facility is a £400.0m syndicated bank facility. The Group considers the counterparties to this facility to be of high quality and proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
<i>At 31 December 2009</i>				
Borrowings	8.9	1.7	227.4	24.0
Trade and other payables	79.0	–	–	–
Onerous lease payments	3.5	2.6	6.9	38.9
Lease disposal settlements	0.6	0.6	1.5	–
	92.0	4.9	235.8	62.9

	£m	£m	£m	£m
<i>At 31 December 2008</i>				
Borrowings	169.6	1.4	155.3	19.5
Derivative financial instruments – gross settled – inflow	106.5	–	–	–
Derivative financial instruments – gross settled – outflow	30.5	–	–	–
Trade and other payables	79.7	–	–	–
Onerous lease payments	3.8	2.9	7.3	42.6
Lease disposal settlements	1.2	0.7	2.1	0.4
	391.3	5.0	164.7	62.5

## 23 Financial risk management *continued*

### Capital risk management

During the difficult conditions that have developed in the global capital markets in recent years, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge. The Group's leverage in 2009 was in line with its revised medium-term strategy, which was to maintain a leverage ratio of 2.0 to 2.5 times and its overall objective is to continue to operate with prudent levels of leverage during the current global financial crisis.

Consistent with others in the gaming industry, the Group monitors capital on the basis of its leverage ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents, less accrued interest, less unamortised facility fees and amounts relating to discontinued operations. EBITDA is calculated as operating profit before exceptional items plus depreciation and amortisation.

The leverage ratios at 31 December 2009 and 2008 were as follows:

	Note	2009 £m	2008 £m
Total borrowings	20	250.1	339.8
Less: Cash and cash equivalents		(64.1)	(111.7)
Less: Accrued interest		(0.6)	(4.0)
Less: Unamortised facility fees		1.4	2.4
<b>Net debt</b>		<b>186.8</b>	<b>226.5</b>
Continuing operations:			
Operating profit before exceptionals		58.0	60.3
Add: Depreciation and amortisation		25.9	26.3
<b>EBITDA</b>		<b>83.9</b>	<b>86.6</b>
<b>Leverage ratio</b>		<b>2.2</b>	<b>2.6</b>

### Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term bonds. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of quoted borrowings is based on year-end mid-market quoted prices. The fair values of other borrowings and the derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end.

### Company

The Company has no financial instruments apart from insignificant levels of cash, therefore the Company does not have any significant exposure to financial risks.

## 24 Deferred tax

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	Group	
	2009 £m	2008 £m
<b>Deferred tax assets</b>		
Accelerated capital allowances	34.6	41.3
Tax losses carried forward	10.1	15.7
Deferred tax assets	44.7	57.0
<b>Deferred tax liabilities</b>		
Other overseas timing differences	(6.3)	(6.9)
Business combinations – non-qualifying properties	(1.8)	(1.9)
Other UK timing differences	(19.4)	(11.8)
Deferred tax liabilities	(27.5)	(20.6)
<b>Net deferred tax asset</b>	17.2	36.4

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £21.2m (2008: £13.7m) have been offset and disclosed on the balance sheet as follows:

	Group	
	2009 £m	2008 £m
Deferred tax assets	23.5	43.3
Deferred tax liabilities	(6.3)	(6.9)
<b>Net deferred tax asset</b>	17.2	36.4

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The amount of unrecognised deferred tax assets, which arise solely in respect of unused income tax losses, was as follows:

	Group	
	2009 £m	2008 £m
Expiring in 2017	8.3	9.0
No expiry date	0.3	2.2
<b>Unrecognised deferred tax assets</b>	8.6	11.2

## 24 Deferred tax *continued*

### Temporary differences associated with Group investments

There was no deferred tax liability recognised (2008: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that the unremitted earnings will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The Company had no deferred tax asset or liability in either year.

The deferred tax included in the Group income statement is as follows:

	<i>Group</i>	
	<i>2009</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	(6.8)	3.3
Deferred tax movement on fair valued assets	0.2	0.6
Tax losses	(3.6)	(8.5)
Other timing differences	(7.8)	34.9
<b>Total deferred tax (expense) credit</b>	<b>(18.0)</b>	<b>30.3</b>
Continuing operations	(16.6)	30.3
Discontinued operations	(1.4)	–
<b>Total deferred tax (expense) credit</b>	<b>(18.0)</b>	<b>30.3</b>

The deferred tax movement on the balance sheet is as follows:

	<i>Group</i>	
	<i>2009</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
Net deferred tax asset at 1 January	36.4	6.0
Exchange adjustments	0.6	(2.1)
Deferred tax (expense) credit	(18.0)	30.3
Deferred tax on items included in equity	(1.8)	2.2
<b>Net deferred tax asset at 31 December</b>	<b>17.2</b>	<b>36.4</b>

## 25 Other non-current liabilities

	<i>Group</i>	
	<i>2009</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
Deferred consideration	0.3	–
UK corporation tax and overseas taxation	18.5	38.8
	<b>18.8</b>	<b>38.8</b>

UK corporation tax and overseas taxation of £18.5m (2008: £38.8m) relates to ongoing tax exposures on discontinued operations in overseas jurisdictions and tax planning that has been challenged by the relevant tax authority. The liability represents management's current estimate of the payments that will be required to settle the various issues.

## 26 Provisions for other liabilities and charges

Group	Onerous leases £m	Disposal provisions £m	Total £m
<b>At 1 January 2009</b>	34.1	22.2	56.3
Exchange adjustments	–	(0.7)	(0.7)
Unwinding of discount	1.3	0.2	1.5
Impact of change in discount rate charged to the income statement – exceptional	(1.0)	–	(1.0)
Charged to the income statement – discontinued exceptional	–	4.2	4.2
Released to the income statement – discontinued exceptional	–	(5.0)	(5.0)
Utilised in year	(3.2)	(8.5)	(11.7)
<b>At 31 December 2009</b>	31.2	12.4	43.6
Current	2.9	6.1	9.0
Non-current	28.3	6.3	34.6
<b>Total</b>	31.2	12.4	43.6

The maturity profile of provisions is as follows:

<i>2009</i>			
Within one year	2.9	6.1	9.0
Between one and two years	2.1	2.1	4.2
Between two and five years	5.0	4.2	9.2
Over five years	21.2	–	21.2
	31.2	12.4	43.6

<i>2008</i>			
Within one year	3.8	9.2	13.0
Between one and two years	2.3	7.7	10.0
Between two and five years	5.9	4.9	10.8
Over five years	22.1	0.4	22.5
	34.1	22.2	56.3

Provisions have been based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation, and have been discounted at a risk free interest rate of 4.1% (2008: 3.6%) where the effects of inflation will have a material impact.

### Onerous leases

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have an unexpired life of between under one year and 80 years.

### Disposal provisions

The disposal provisions held at 31 December comprise the following:

	2009 £m	2008 £m
Onerous leases	0.5	1.1
Deferred payments arising on lease settlement and related costs	2.5	4.0
Insurance claims	4.3	6.0
Warranty claims	–	5.0
Other	5.1	6.1
<b>Total disposal provisions</b>	12.4	22.2

Provision has been made for outstanding insurance claims, deferred payments arising from the settlement of a US lease obligation and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any insurance claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates.

## 27 Share capital

	2009 Authorised		2008 Authorised	
	Number m	Nominal value £m	Number m	Nominal value £m
Ordinary shares of 13 8/9p each	1,296.0	180.0	1,296.0	180.0
	2009 Issued and fully paid		2008 Issued and fully paid	
	Number m	Nominal value £m	Number m	Nominal value £m
At 1 January and 31 December – Ordinary shares of 13 8/9p each	390.5	54.2	390.5	54.2

There were no movements in authorised or issued ordinary shares in either year.

1,059,826 (2008: 1,059,826) ordinary shares in the Company are held by the Rank Group Employee Benefit Trust ('the Trust'). The amount paid to acquire the shares has been deducted from retained earnings within shareholders' equity.

Dividends on the shares held by the Trust have been waived by the trustees with the exception of one penny in respect of each dividend that is paid by the Company. The Trust may make such investments in the shares of the Company or otherwise as the trustees may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share-related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. The shares held by the Trust represent less than 0.3% (2008: 0.3%) of the Company's called-up share capital. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2009 was £0.9m (2008: £0.7m).

## 28 Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Continuing operations				
Operating profit (loss)	60.8	(9.1)	(0.2)	–
Exceptional items	(2.8)	69.4	–	–
Operating profit (loss) before exceptional items	58.0	60.3	(0.2)	–
Depreciation and amortisation	25.9	26.3	–	–
Decrease (increase) in working capital	2.5	4.2	0.1	(0.1)
Other	0.9	(0.6)	0.2	–
	87.3	90.2	0.1	(0.1)
Net cash (payments) receipts in respect of exceptional items and provisions	(17.6)	32.3	–	–
<b>Cash generated from (used in) operations</b>	<b>69.7</b>	<b>122.5</b>	<b>0.1</b>	<b>(0.1)</b>

The net receipt in respect of exceptional items and provisions in 2008 of £32.3m primarily related to the prior year element of the £59.1m VAT recovery net of the cash utilisation of provisions, including the settlement of the Group's lease obligation in relation to its remaining plant in the US.

## 29 Cash and cash equivalents

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Cash at bank and in hand	42.1	40.4	–	–
Current asset investments	22.0	71.3	–	–
<b>Cash and cash equivalents</b>	<b>64.1</b>	<b>111.7</b>	<b>–</b>	<b>–</b>

The analysis of cash and cash equivalents by currency is as follows:

Sterling	55.9	102.9	–	–
Euro	7.5	8.0	–	–
Other currencies	0.7	0.8	–	–
<b>Cash and cash equivalents</b>	<b>64.1</b>	<b>111.7</b>	<b>–</b>	<b>–</b>

The fair value of cash and current asset investments equals their carrying amount as the impact of discounting is not significant.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statements:

	Note	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Cash and cash equivalents		64.1	111.7	–	–
Bank overdrafts	20	(7.3)	(6.9)	–	–
<b>Cash, cash equivalents and bank overdrafts</b>		<b>56.8</b>	<b>104.8</b>	<b>–</b>	<b>–</b>

## 30 Acquisition of businesses

On 23 April 2009, the Group acquired the casino at the Ricoh Arena in Coventry from Isle of Capri Limited for a total purchase consideration of £0.7m. No goodwill arose on the acquisition.

The fair value of the identifiable assets and liabilities at the date of acquisition and a reconciliation to the cash outflow on acquisition of businesses, were as follows:

	2009 £m
<b>Assets</b>	
Intangible assets	0.1
Property, plant and equipment	0.7
Cash and cash equivalents	0.1
	<b>0.9</b>
<b>Liabilities</b>	
Trade and other payables	(0.2)
<b>Net assets acquired</b>	<b>0.7</b>
Goodwill arising on acquisition	–
<b>Purchase consideration</b>	<b>0.7</b>
Less: deferred consideration	(0.4)
Less: cash and cash equivalents acquired	(0.1)
<b>Cash outflow in relation to current year acquisition</b>	<b>0.2</b>
Add: deferred consideration paid in respect of prior year acquisitions	0.1
<b>Cash outflow on acquisition of businesses</b>	<b>0.3</b>

During 2008, the Group paid £3.8m in deferred consideration, primarily in relation to the acquisition of its two casinos in Belgium in 1998 following settlement of a legal case with the vendor.

### 31 Employees and directors

#### (a) Employee benefit expense for the Group during the year

	2009 £m	2008 £m
Wages and salaries	147.9	138.9
Social security costs	15.9	15.0
Pension costs	2.5	3.5
Share-based payments	0.9	–
	167.2	157.4

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

#### (b) Average monthly number of employees by segment

	2009	2008
Mecca Bingo	3,737	3,596
Top Rank España	581	592
Grosvenor Casinos	3,430	3,160
Rank Interactive	192	176
Central	245	228
	8,185	7,752

#### (c) Key management compensation

	2009 £m	2008 £m
Salaries and short-term employee benefits	4.1	3.9
Termination benefits	0.4	0.8
Post-employment benefits	0.4	0.4
Share-based payments	0.9	(0.2)
	5.8	4.9

Included in key management compensation are bonuses of £1.3m in respect of the current year that will be paid next year (2008: £0.8m).

Key management is defined as the directors of the Group and the executive management team. Details of the executive management team are set out on page 41 and further details of emoluments received by directors are included in the remuneration report.

#### (d) Directors' interests

The directors' interests in shares of the Company, including options to purchase ordinary shares under the terms of the Group's Executive Share Option Scheme, and conditional awards under the Long Term Incentive Plan, are detailed in the remuneration report. Details of options to subscribe for ordinary shares of the Company granted to or exercised by directors in the year ended 31 December 2009 are also detailed in the remuneration report.

#### (e) Total emoluments of the directors of The Rank Group Plc

	2009 £m	2008 £m
Aggregate emoluments	2.1	2.4

There were no gains on the exercise of share options by directors in either year.

No director accrued benefits under defined benefit pension schemes in either year.

Further details of emoluments received by directors are included in the remuneration report.

## 32 Share-based payments

During the year ended 31 December 2009, the Company operated the Save-As-You-Earn ('SAYE') share option scheme, the Executive Share Option Scheme ('ESOS') and the Long Term Incentive Plan ('LTIP'). Details of these schemes are included in the remuneration report on pages 50 to 52.

The number and weighted average exercise prices ('WAEP') of, and movements in, each of the share option arrangements (SAYE and ESOS) during the year are shown below, together with the weighted average share price ('WASP') at the date of exercise where applicable:

	<i>Outstanding 1 January 2009</i>	<i>Granted during 2009</i>	<i>Exercised during 2009</i>	<i>Expired during 2009</i>	<i>Forfeited during 2009</i>	<i>Outstanding 31 December 2009</i>	<i>Exercisable 31 December 2009</i>
<b>ESOS</b>							
Number of shares	1,641,490	–	–	(1,361,271)	–	280,219	280,219
WAEP	243.99p	–	–	240.07p	–	263.01p	263.01p
WASP	–	–	–	–	–	–	–
<b>SAYE (three year)</b>							
Number of shares	1,359,483	–	–	(473,921)	(30,321)	855,241	–
WAEP	162.62p	–	–	181.29p	147.00p	152.83p	–
WASP	–	–	–	–	–	–	–
<b>SAYE (five year)</b>							
Number of shares	792,119	–	–	(359,643)	(36,987)	395,489	–
WAEP	175.85p	–	–	186.17p	174.57p	166.58p	–
WASP	–	–	–	–	–	–	–
	<i>Outstanding 1 January 2008</i>	<i>Granted during 2008</i>	<i>Exercised during 2008</i>	<i>Expired during 2008</i>	<i>Forfeited during 2008</i>	<i>Outstanding 31 December 2008</i>	<i>Exercisable 31 December 2008</i>
<b>ESOS</b>							
Number of shares	4,878,595	–	–	(82,872)	(3,154,233)	1,641,490	345,774
WAEP	271.86p	–	–	336.27p	284.68p	243.99p	263.07p
WASP	–	–	–	–	–	–	–
<b>SAYE (three year)</b>							
Number of shares	2,659,923	–	–	(1,193,388)	(107,052)	1,359,483	–
WAEP	158.37p	–	–	152.73p	167.26p	162.62p	–
WASP	–	–	–	–	–	–	–
<b>SAYE (five year)</b>							
Number of shares	1,292,759	–	–	(454,916)	(45,724)	792,119	–
WAEP	171.60p	–	–	164.04p	173.20p	175.85p	–
WASP	–	–	–	–	–	–	–

### 32 Share-based payments *continued*

The share options outstanding at the year end have the following range of exercise prices and expiry dates as follows:

	Outstanding at 31 December 2009			Outstanding at 31 December 2008		
	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option
ESOS	187.50p–271.00p	2.3 years	280,219	187.50p–320.33p	6.3 years	1,641,490
SAYE (three year)	139.00p–187.00p	1.1 years	855,241	139.00p–268.00p	1.9 years	1,359,483
SAYE (five year)	139.00p–268.00p	2.8 years	395,489	139.00p–268.00p	2.9 years	792,119

The estimated fair values for each of the ESOS and SAYE awards granted are calculated using a Black-Scholes pricing model. The fair value of LTIP awards is calculated using a Monte Carlo model approach, and indicates the proportion of shares likely to vest. For grants made subject to an EPS performance condition, the expense is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

There have been no ESOS or SAYE awards granted during either year.

The expected life of LTIP awards is determined by the performance period. Details of the expected life and the weighted average fair value per share of the LTIP awards during the year were as follows:

	2009	2008
Expected life of award	2.33 years	3 years
Weighted average fair value per share	77.75p	78.75p

The Group recognised a £0.9m charge in operating profit from accounting for share-based payments in accordance with IFRS 2 (2008: £nil).

National Insurance contributions are payable in respect of some share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at the end of 2009 of £0.1m (2008: £0.2m) of which £nil (2008: £nil) was in respect of vested grants.

### 33 Retirement benefits

The Group operated the Rank Pension Plan ('the Plan'), a defined benefit plan for UK employees, until 27 June 2008 when it was transferred to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs). The Plan had been closed to new entrants since 2000. The Group's other pension arrangements include the Rank Group Stakeholder Pension Plan which replaced the Rank Money Purchase Pension Scheme in 2006. The Rank Money Purchase Pension Scheme is currently being wound up. The schemes are externally funded and the funds' assets are held separately from Group assets.

In respect of the Rank Pension Plan, the accounting period was extended to 30 June 2008 to take account of the transfer of all assets and liabilities to Rothesay Life. The Plan accounts have been reported on by their auditors without qualification.

In respect of the Rank Money Purchase Pension Scheme, accounts to 5 October 2007 included the transfer of all member liabilities to individual Section 32A policies and have been reported on by the Scheme auditors without qualification.

#### Defined benefit plan

The Plan was a defined benefit scheme with pensions fixed by reference to final pay and length of service. On 27 June 2008, the Group completed the transfer of the assets and liabilities of the Plan to Rothesay Life. The transfer secured the accrued benefits for the members of the Plan and removed all financial risks and liabilities in relation to the Plan from the Group. Further details of the resulting loss on transfer are disclosed in note 4.

Formal actuarial valuations of the Plan were carried out at least triennially by an independent actuary, Mercer Human Resource Consulting Limited. The final valuation was undertaken as at 5 April 2007.

The actuarial valuation of the Plan was updated by an independent actuary to the date of transfer.

The disclosures relating to the Plan up until transfer are provided below:

	2008 £m	2007 £m	2006 £m	2005 £m
Assets	–	740.8	711.0	636.5
Liabilities	–	(610.1)	(635.2)	(674.7)
Net defined benefit pension asset (liability)	–	130.7	75.8	(38.2)

#### Change in plan assets

	2008 £m
Fair value of plan assets at beginning of year	740.8
Expected return on plan assets	20.3
Actuarial losses	(1.2)
Total actual return on plan assets	19.1
Employer contributions (includes benefits paid and reimbursed)	2.3
Member contributions	0.6
Benefits paid (by fund and Company)	(18.6)
Settlement on transfer of the Plan	(744.2)
Fair value of plan assets at end of year	–

#### Change in benefit obligation

	2008 £m
Benefit obligation at beginning of year	(610.1)
Current service cost	(0.7)
Past service cost	(1.0)
Interest cost	(16.7)
Plan members' contributions	(0.6)
Actuarial losses	(6.5)
Curtailment gain	10.5
Benefits paid	18.6
Settlement on transfer of the Plan	606.5
Benefit obligation at end of year	–

### 33 Retirement benefits *continued*

#### Components of pension cost

	2008 £m
Current service cost	0.7
Amortisation of prior service cost	1.0
Total pension charge recognised in operating profit in the income statement	1.7
Interest cost	16.7
Expected return on plan assets	(20.3)
Total pension credit recognised in financing in the income statement	(3.6)
Total net pension credit recognised in the income statement	(1.9)

#### Statement of comprehensive income ('SOCl')

	2008 £m	2007 £m	2006 £m	2005 £m
Actuarial gains and losses immediately recognised:				
Experience gains and losses	–	–	39.7	–
Changes in assumptions	(6.5)	32.5	11.5	(75.9)
Actual return less expected return in assets	(1.2)	(7.7)	6.9	60.1
Section 75 contribution	–	–	24.0	–
Total pension (expense) credit recognised in the SOCl before taxation	(7.7)	24.8	82.1	(15.8)
Taxation	2.2	(7.4)	(17.4)	2.4
Total pension (expense) credit recognised in the SOCl	(5.5)	17.4	64.7	(13.4)

The cumulative pension credit before taxation recognised in the statement of comprehensive income, up until the date of transfer of the Plan, was £113.0m.

To develop the expected long-term rate of return on assets assumption set at 31 December 2007, the Company considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. Over the course of 2007, the Plan's investment strategy changed and a series of derivatives were implemented to remove risk within the portfolio. The value of the derivative instruments was contained within the asset values at 31 December 2007 and reflected in the expected return for 2008. Following the transfer of the Plan in 2008, no assumptions are applicable for the Group going forward.

Weighted average assumptions used to determine net pension expense for year ended:

	2008 % p.a.
Discount rate	5.7
Expected long-term return on plan assets	5.4
Rate of compensation increase	4.6

#### Defined contribution scheme

During the year to 31 December 2009, the Group contributed a total of £2.5m (2008: £1.8m) to defined contribution schemes. There were no significant contributions outstanding.

#### Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 31 December, the Group's commitment was £2.9m (2008: £2.5m). The Group paid £0.1m (2008: £0.1m) in pension payments during the year. The actuarial loss arising on the commitment, resulting from the changes in assumptions outlined below in 2009, was £0.5m (2008: £nil) before taxation and £0.4m after taxation (2008: £nil). The cumulative amount of actuarial losses on the commitment recognised in the statement of comprehensive income before taxation was £0.5m (2008: £nil).

Assumptions used to determine the obligations at 31 December:

	2009 % p.a.	2008 % p.a.
Discount rate	5.7%	6.3%
Pension increases	3.8%	2.5%

The mortality table used to determine the obligation in both years was the PA92 (YOB) mc with a 1.5% p.a. minimum improvement.

### 34 Lease commitments

#### Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of between under one year and over 100 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

<i>Group</i>	<i>2009 £m</i>	<i>2008 £m</i>
Not later than one year	40.0	40.2
After one year but not more than five years	140.0	145.0
After five years	292.5	323.6
	472.5	508.8
	<i>2009 £m</i>	<i>2008 £m</i>
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	51.7	62.0

#### Finance leases where the Group is lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

<i>Group</i>	<i>Minimum lease payments</i>		<i>Present value of minimum lease payments</i>	
	<i>2009 £m</i>	<i>2008 £m</i>	<i>2009 £m</i>	<i>2008 £m</i>
Not later than one year	1.6	1.7	0.7	0.7
After one year but not more than five years	6.5	6.5	3.5	3.2
More than five years	11.9	13.4	8.5	9.5
	20.0	21.6	12.7	13.4
Less future finance charges	(7.3)	(8.2)		
Present value of minimum lease payments	12.7	13.4		
	<i>2009 £m</i>	<i>2008 £m</i>		
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	2.3	2.5		

### 35 Capital and other financial commitments

	<i>Group</i>	
	<i>2009 £m</i>	<i>2008 £m</i>
Contracts placed for future capital expenditure not provided in the financial information	1.5	1.3

Contracts placed for future capital expenditure primarily relate to property, plant and equipment.

The Company had no capital commitments in either year.

## 36 Contingent assets

### Group

The Group has lodged a claim for the repayment of VAT alleging that the tax treatment of gaming machines was inconsistently applied and therefore breached the European Union's principle of fiscal neutrality. In August 2008, the VAT and Duties Tribunal ruled that, from November 2003 at least, the UK's VAT treatment of certain types of gaming machine was inconsistent with the European Union's principle of fiscal neutrality. This was an interim decision and a second stage was heard at the VAT and Duties Tribunal in October 2009. The latest ruling was also in favour of the Group. Consequently, the Group's claim is valid for the entire period under dispute (2002-2005). The Group has requested payment of the claim, although HMRC have appealed and final resolution may take a number of years. The claim is estimated to be worth as much as £26m plus interest.

In December 2009, HMRC issued guidance that claims for VAT overpaid on main stage bingo will be treated in the same way as the Group's successful claim for overpaid VAT on interval bingo received in November 2008. The Group has submitted a claim for VAT overpaid on main stage bingo for periods from July 2004. If successful, the Group estimates the net cash benefit to be as much as £16m plus interest. HMRC are continuing to appeal the ruling of the VAT and Duties Tribunal that the application of VAT on some games of interval bingo contravened the European Union's principle of fiscal neutrality and its appeal will be heard at the Court of Appeal in April 2010. In the event of an adverse ruling on the interval bingo claim, the Group's main stage bingo claim will not be paid and the interval bingo claim will have to be repaid (see note 37).

The Group has lodged a number of claims following the House of Lords decision in the Conde Nast/Fleming cases on the applicability of the three year cap that HMRC introduced to limit VAT reclaims. These claims, which had to be submitted by March 2009, are based on management's best estimates from the information available and the Group expects the valuation of each claim to be reviewed by HMRC before settlement. In a number of cases, the Conde Nast claims are subject to successful outcomes of other claims for the repayment of VAT (including the claims in the preceding paragraphs), the outcome of which is not certain.

One of the claims identified above is for the repayment of VAT on some games of interval bingo covering the period from 1996 back to 1980, when the interval bingo product was introduced. This claim has been made under the Conde Nast/Fleming ruling detailed above and HMRC issued guidance in January 2010 that this type of claim could be paid once the amount has been verified. As a result, the Group anticipates receiving as much as £35m plus interest during 2010.

The Group has not recognised any gain in its financial statements at 31 December 2009 in respect of the above items.

## 37 Contingent liabilities

### Group

On 10 November 2008, the Group received £59.1m in overpaid VAT from HMRC, following the VAT and Duties Tribunal's ruling in May 2008 that the application of VAT to some games of interval bingo contravened the European Union's principle of fiscal neutrality. HMRC appealed the ruling of the Tribunal at a High Court hearing in March 2009, but the judgement found in favour of the Group. The benefit from the ruling on interval bingo continued to be recognised in the accounts for the first 17 weeks of 2009, covering the period to 26 April 2009, when bingo became exempt from VAT. HMRC lodged an appeal to the Court of Appeal on 6 July 2009, but the hearing is not due to be held until April 2010. In the event of an adverse ruling, Rank would be required to repay the £59.1m and amounts not paid over for the period from July 2008 to 26 April 2009 plus interest.

### Company

	2009 £m	2008 £m
Guarantees of advances to subsidiary undertakings	236.8	166.6

No security has been given in respect of any contingent liability.

## 38 Related party transactions

### Group

On 27 June 2008, the Group completed the transfer of the assets and liabilities of the Rank Pension Plan ('the Plan'), a defined benefit scheme, to Rothesay Life (an FSA regulated insurance company and wholly owned subsidiary of Goldman Sachs). As part of the transfer the Group received £3.7m to cover expenses which the Group has agreed to pay on behalf of the trustees. The balance of costs still to be paid at the reporting date was £0.2m (2008: £0.3m).

Prior to the transfer, the Group recharged the Plan with the costs of administration and independent pension advisers borne by the Group. The total amount recharged in 2008, in addition to the £3.7m disclosed above, was £0.3m.

### Company

The following transactions with subsidiaries occurred in the year:

	2009 £m	2008 £m
Interest payable	37.2	43.7

During the year, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash funding to the Company of £161.1m. The funding was primarily used to repay the convertible bonds of £158.2m and related interest. Full details of how the funding was utilised are disclosed in the Company cash flow statement on page 62.

### 39 Principal subsidiaries

Except where otherwise stated, The Rank Group Plc owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies. All subsidiary undertakings are included in the consolidation.

The principal operations are carried out in the country of incorporation as indicated below.

The companies all have a 31 December year end.

The Group comprises a large number of companies and it is not practical to list all of them below. The list therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group. Particulars of all Group companies will be annexed to the next Annual Return submitted to the Registrar of Companies.

	<i>Country of incorporation</i>	<i>Principal activities</i>
Mecca Bingo Limited	England and Wales	Social and bingo clubs
Rank Leisure Limited	England and Wales	Adult gaming centres reported in Mecca Bingo and Grosvenor Casinos segments
Rank Holding España SA	Spain	Owns the Group's investments in Top Rank España
Grosvenor Casinos Limited	England and Wales	London and provincial casinos
Blue Square Gaming (Alderney) Limited	Alderney	Interactive gaming
Rank Interactive Development Limited	England and Wales	Support services to interactive gaming
Blue Square Limited*	England and Wales	Support services to interactive gaming
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company and provision of shared services
Rank Leisure Holdings Limited	England and Wales	Intermediary holding company and corporate activities
Rank Nemo (Twenty-Five) Limited*	England and Wales	Intermediary holding company
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company
Rank Holdings (Netherlands) BV	Holland	Intermediary holding company
Rank Group Finance Plc*	England and Wales	Funding operations for the Group

\* directly held by the parent company

# Five year review

Year ended 31 December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
<b>Continuing operations</b>					
Revenue reported in internal information	540.0	522.2	534.4	549.6	529.8
Free bets, promotions and customer bonuses	(19.5)	(16.8)	(23.4)	(15.2)	(13.0)
<b>Revenue</b>	<b>520.5</b>	<b>505.4</b>	<b>511.0</b>	<b>534.4</b>	<b>516.8</b>
Operating profit before exceptional items	58.0	60.3	68.3	73.2	90.5
Exceptional items credited (charged) against operating profit	2.8	(69.4)	(45.2)	53.7	(12.1)
<b>Group operating profit (loss)</b>	<b>60.8</b>	<b>(9.1)</b>	<b>23.1</b>	<b>126.9</b>	<b>78.4</b>
Total net financing charge	(8.8)	(17.0)	(16.0)	(34.0)	(62.6)
<b>Profit (loss) before taxation</b>	<b>52.0</b>	<b>(26.1)</b>	<b>7.1</b>	<b>92.9</b>	<b>15.8</b>
Taxation	(14.1)	6.2	(12.4)	21.6	(0.7)
<b>Profit (loss) after taxation from continuing operations</b>	<b>37.9</b>	<b>(19.9)</b>	<b>(5.3)</b>	<b>114.5</b>	<b>15.1</b>
Discontinued operations	0.6	15.0	316.8	4.5	(223.6)
<b>Profit (loss) for the year</b>	<b>38.5</b>	<b>(4.9)</b>	<b>311.5</b>	<b>119.0</b>	<b>(208.5)</b>
Adjusted earnings per share	8.9p	7.3p	7.4p	4.6p	5.4p
Basic earnings (loss) per ordinary share	9.9p	(1.3)p	72.4p	19.9p	(33.6)p
Basic earnings per ordinary share before exceptional items	9.0p	6.5p	7.7p	11.8p	7.7p
<b>Total ordinary dividend (including proposed) per ordinary share</b>	<b>1.35p</b>	<b>–</b>	<b>2.00p</b>	<b>6.00p</b>	<b>15.30p</b>
<b>Group funds employed</b>					
Intangible assets and property, plant and equipment	365.5	362.8	358.2	377.0	659.1
Investments	–	–	0.1	0.5	45.1
Defined benefit pension asset (liability)	–	–	130.7	75.8	(38.2)
Disposal groups	–	–	–	197.5	303.0
Provisions	(43.6)	(56.3)	(80.4)	(54.1)	(42.1)
Other net liabilities	(103.7)	(84.4)	(105.0)	(74.2)	(19.4)
<b>Total funds employed at year end</b>	<b>218.2</b>	<b>222.1</b>	<b>303.6</b>	<b>522.5</b>	<b>907.5</b>
<b>Financed by</b>					
Ordinary share capital and reserves	31.4	(4.4)	(13.3)	75.3	156.7
Minority interests	–	–	–	–	11.4
	31.4	(4.4)	(13.3)	75.3	168.1
Net debt (note 23)	186.8	226.5	316.9	447.2	739.4
	218.2	222.1	303.6	522.5	907.5
<b>Average number of employees (000s)</b>	<b>8.2</b>	<b>7.8</b>	<b>9.3</b>	<b>19.0</b>	<b>24.3</b>

# Shareholder information

A wide range of information for shareholders and investors is available in the Investors area of the Rank Group website: [www.rank.com](http://www.rank.com).

## Ordinary shares

There was a total of 390,529,314 ordinary 13 8/9p shares in issue at 31 December 2009, which were held by 20,224 shareholders.

## Share price information

The latest information on the Rank ordinary share price is available in the Investors area of the [www.rank.com](http://www.rank.com) website. Closing share prices for the previous business day are quoted in most daily newspapers and, throughout the working day, time-delayed share prices are broadcast on the text pages of the principal UK television channels.

## Capital gains tax

For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the [www.rank.com](http://www.rank.com) website.

## Share dealing services

The sale or purchase of shares must be done through a stockbroker or share dealing service provider. The London Stock Exchange provides a "Locate a broker" facility on its website which gives details of a number of companies offering share dealing services.

For more information, please visit the Private investors section at [www.londonstockexchange.com](http://www.londonstockexchange.com)

Please note that the directors of the Company are not seeking to encourage shareholders to either buy or to sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

## Shareholder security

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. More detailed information can be found at [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk).

## Payment of dividends

The Company is no longer operating a dividend re-investment plan. Shareholders may find it more convenient to make arrangements to have dividends paid directly to their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post.

To set up a dividend mandate or to change an existing mandate please contact Equiniti Limited, our registrar, whose contact details appear below. Alternatively, shareholders who use Equiniti's Shareview can log on to [www.shareview.co.uk](http://www.shareview.co.uk) and follow the online instructions.

## Shareview

The Shareview portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments including:

- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio; and
- a range of information and practical help for shareholders including how you can elect to receive communications electronically.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: [www.shareview.co.uk](http://www.shareview.co.uk).

## ShareGift

Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at [www.sharegift.org](http://www.sharegift.org) or by writing to:

ShareGift  
17 Carlton House Terrace  
London SW1Y 5AH  
Tel: 020 7930 3737

## 2010 financial calendar

22 April	Annual general meeting and interim management statement
29 July	Interim results announcement
October	Interim management statement

## Frequently asked questions

We have a shareholder 'frequently asked questions' section on our website which provides answers to many questions that shareholders have: [www.rank.com/investor/shareholders/faqs](http://www.rank.com/investor/shareholders/faqs).

## Registrar

All enquiries relating to shareholdings, dividends and changes of address should be addressed to the Company's registrar (quoting reference number 1235), Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: from the UK 0871 384 2098 and from outside the UK +44 121 415 7046). Telephone lines are open 8.30am to 5.30pm Monday to Friday.

There is a text phone available on 0871 384 2255 for shareholders with hearing difficulties.

(Calls to both of the UK numbers are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.)

## For any other information please contact:

Frances Bingham, company secretary  
Dan Waugh, director of investor relations

The Rank Group Plc  
Statesman House  
Stafferton Way  
Maidenhead  
Berkshire SL6 1AY

Tel: 01628 504 000  
[www.rank.com](http://www.rank.com)

# Glossary

## Gaming machine regulations in Great Britain 2009/10

Stakes and prizes

Machine category	A*	B1	B2	B3	B4	C	D
Max stake	Unlimited	£2	£100	£1	£1	£1	10p
Max prize	Unlimited	£4,000	£500	£500	£250	£70	£5

Maximum permitted per licensed establishment

Regional casino		Up to 1,250 in aggregate					
Large casino	–	Up to 150 in aggregate					
Small casino	–	Up to 80 in aggregate					
1968 Act casino	–	Up to 20 in aggregate				–	–
Betting office	–	–	Up to 4 in aggregate				
Bingo club	–	–	–	Up to 8 in aggregate		Unlimited	
Adult gaming centre	–	–	–	Up to 4 in aggregate		Unlimited	

\* Category A machines are permitted only in the Regional Casino provided for within the 2005 Act. At present the Government has no plans to permit the development of the Regional Casino.

### Financial terminology

#### Revenue

Income retained by Group after deductions for VAT and players' winnings

#### Like-for-like

Excludes club openings, closures and relocations; and changes to gaming taxation

#### EBITDA

Earnings before interest, tax, depreciation, amortisation and exceptional items

#### Operating margin

Operating profit expressed as a percentage of revenue

### KPI terminology

#### Customers

Unique customers visiting a bingo club or casino or operating an online or telephone betting account in the 12-month period

#### Customer visits

Individual customer visits to bingo clubs and casinos

#### Spend per visit

Revenue divided by customer visits

### Gaming industry terminology

#### Interval games

Automated game of bingo played in a licensed club

#### Adult gaming centre

A licensed gaming machines arcade

#### Main stage bingo

Traditional game of bingo played in a licensed club

### Pari-mutuel gaming

Gaming where players compete with each other to win prizes. The house may take a fee for organising the game but does not participate actively. Also called 'player-to-player' gaming

### Remote betting and gaming

Gambling services offered to customers via the internet and mobile phone

### Server based gaming machines

Electronic gaming machines where games may be loaded via an internet connection

### White label agreement

An agreement to provide interactive gambling services to customers, marketed under a third-party brand

### Comisión Nacional del Juego

The governing body for the gambling industry in Spain

### Gambling Commission

The governing body for all sectors of gambling in Great Britain, with the exceptions of the National Lottery and spread betting

### GamCare

A charitable organisation that provides counselling and other services to those with gambling-related problems

### GREaT

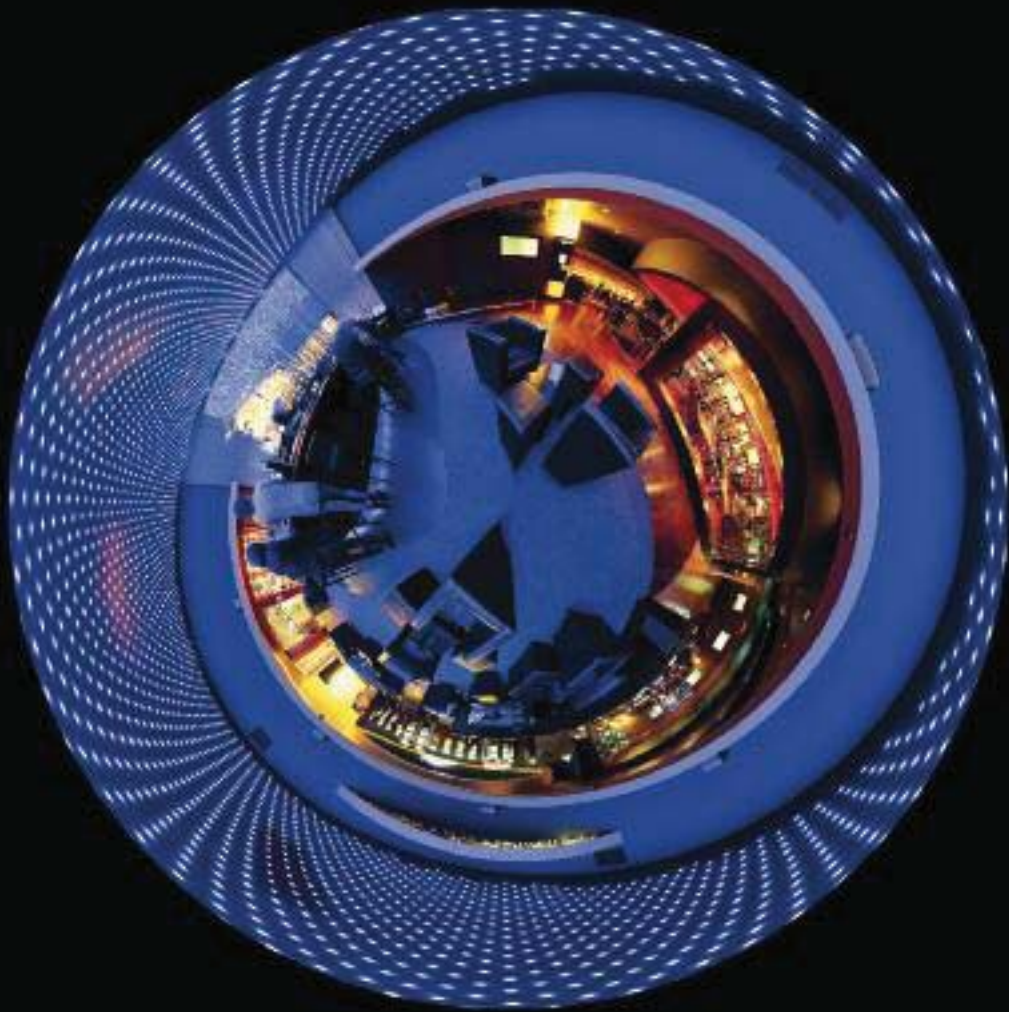
A charity that funds treatment, education and research related to problem gambling



The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers readily to identify timber-based products from certified forests.

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